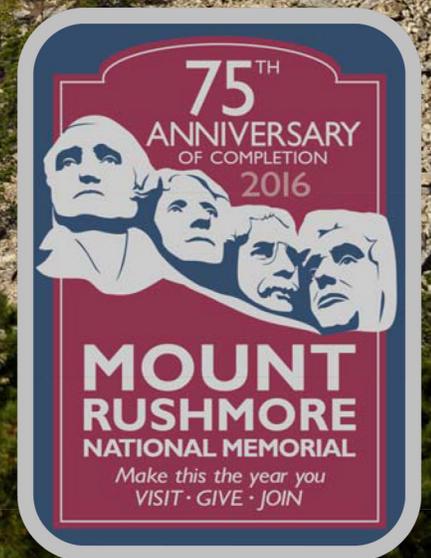
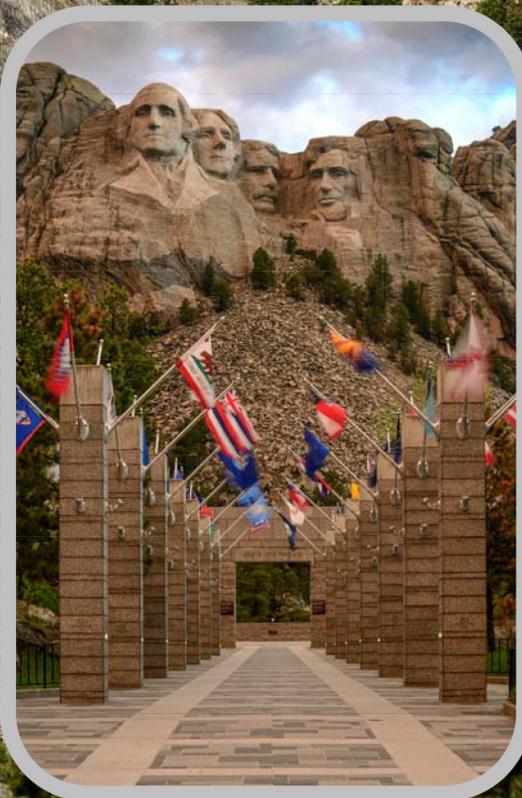
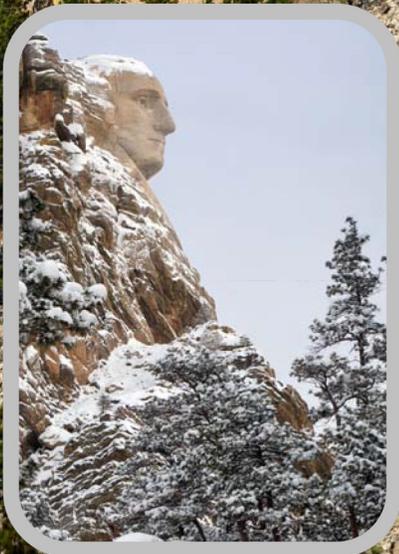


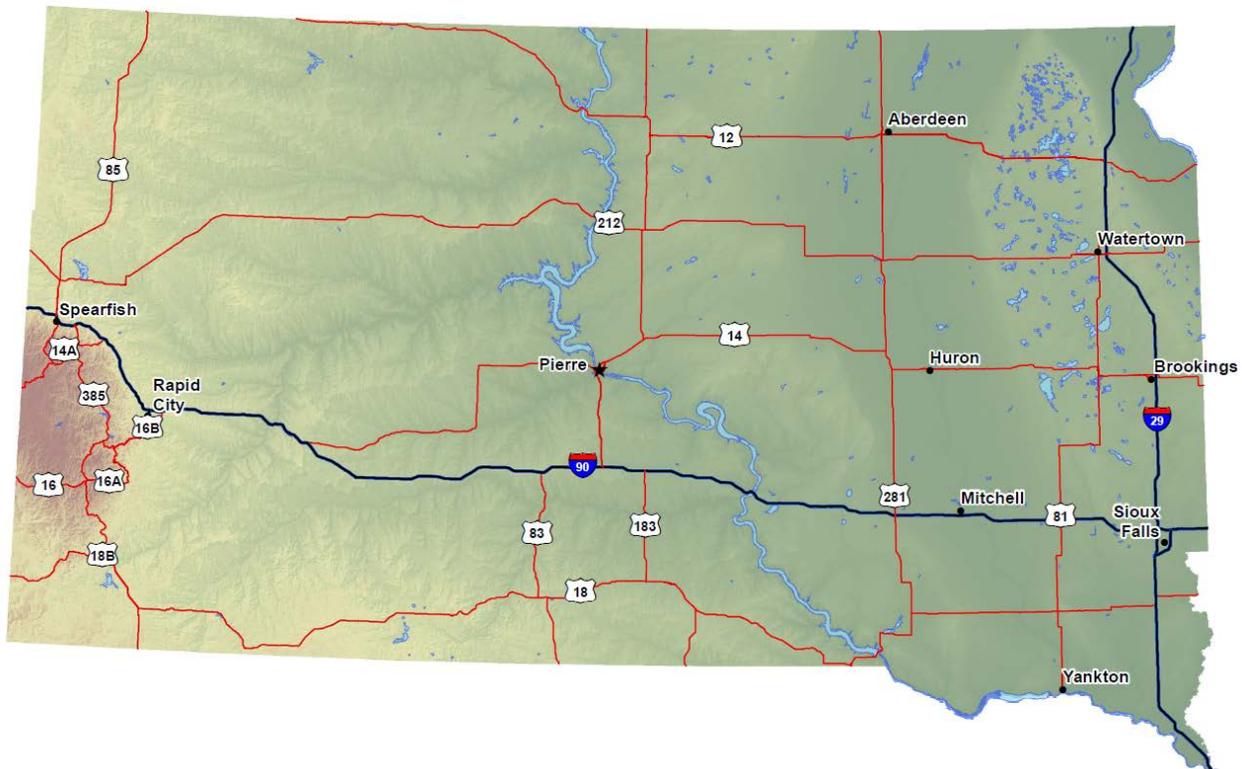
South Dakota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2016



*COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*



DENNIS DAUGAARD, GOVERNOR

MATT MICHELS, LT. GOVERNOR

*PREPARED BY
THE BUREAU OF FINANCE AND MANAGEMENT*

ACKNOWLEDGEMENTS

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SPECIAL THANKS TO:

South Dakota Department of Legislative Audit, Pierre
All State Finance Officers and Accountants
Eric Feiler, Manager Central Duplicating
Brian Hahn, Graphic Designer

Photographs provided by South Dakota Office of Tourism

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

125 Copies printed by the Bureau of Finance and Management at \$10.25 each at Central Duplicating Services.



STATE OF SOUTH DAKOTA
DENNIS DAUGAARD, GOVERNOR



December 30, 2016

To The Members of the Legislature and Citizens of South Dakota,

As Governor of the great state of South Dakota, I take very seriously our obligation and responsibility to provide timely and accurate financial reporting. Therefore, it gives me great pleasure to present the State's 30th *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2016. This 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 low tax burden and favorable business climate provide a diversified economy that is expanding at a steady pace. Recent economic data supports an expanding economy, as the state's nonfarm employment grew 4,800 jobs or 1.1 percent during fiscal year 2016. During calendar year 2015, the most recent data available, South Dakota's total personal income increased by 4.8 percent, which is higher than the U.S. growth rate of 4.5 percent. Our state's steady economic growth and strong financial management hasn't gone unnoticed. South Dakota now holds the highest credit ratings possible from S&P, Moody's and Fitch after being upgraded by each agency over the past two years. This exceptional credit worthiness will lead to substantial savings in future interest payments for the people of South Dakota over the long term.

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 provide these basic services to our citizens, as we have since statehood in 1889.

Sincerely,

A handwritten signature in black ink that reads "Dennis Daugaard".

Dennis Daugaard

South Dakota



GREAT FACES. GREAT PLACES. ©

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INTRODUCTORY SECTION



INTRODUCTORY SECTION



DEPARTMENT OF EXECUTIVE MANAGEMENT

BUREAU OF FINANCE AND MANAGEMENT

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December 30, 2016

The Honorable Dennis M. Daugaard, Governor of the State of South Dakota
The Honorable Members of the South Dakota Legislature
The Citizens of the State of South Dakota

It is a privilege to present the *Comprehensive Annual Financial Report* (CAFR) for the State of South Dakota (the State) for the fiscal year ended June 30, 2016.

Report. This report is prepared by the Bureau of Finance and Management 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. The *Introductory Section* contains this letter of transmittal, a list of principal State officials, fiscal year 2016 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the Basic Financial Statements and Notes, Required Supplementary Information, and Other Supplemental Information. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

Independent Auditors. The CAFR has been audited by the South Dakota Department of Legislative Audit (DLA), a division of the legislative branch of State government. The audit was conducted 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* (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the DLA) includes an expression of opinions 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 as of June 30, 2016, 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 DLA 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 *Single Audit Report* for the State of South Dakota under separate cover.

Internal control procedures of the State are considered by the Department of Legislative Audit during its audits of the State. However, they do not express an opinion on the effectiveness of the State's internal control system.

Internal Controls. Management of the State is responsible for establishing and maintaining an effective system of internal control designed to provide reasonable, but not absolute, assurance the State is achieving its operational, reporting and compliance objectives. Those objectives include, but are not limited to, the safeguarding of assets from loss, theft, or misuse, and to ensure the reliability of financial records for the preparation of financial statements in conformity with GAAP. The system of internal control for the State is designed to meet those objectives. 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 judgments by management.

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. This letter of transmittal is designed to complement the 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. As established in Article II of the *Constitution of The State of South Dakota*, State government is comprised of three distinct and separate branches of government; legislative, executive and judicial. 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. The State has a strong executive branch with a 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 judicial branch is governed by the Unified Judicial System consisting of the Supreme Court, circuit courts, and courts of limited jurisdiction. The State's principal state officials, functions of state government, and organizational chart for the fiscal year 2016 can be found immediately following this letter.

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.

State Reporting Entity. The State's reporting entity reflected in the CAFR includes the *primary government* and its *component units*. The *primary government* consists of state departments, bureaus, boards, and commissions within the three separate branches of government. *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. These relationships are fully described in Note 1 to the Financial Statements. The financial statements emphasize the *primary government* and permit financial statement users to distinguish between the *primary government* and its *component units*. Consequently, this letter of transmittal, MD&A, and the Basic Financial Statements focus on the *primary government* and its activities. Although information pertaining to the *component units* is provided, their separately issued financial statements (excluding Higher Education and the South Dakota Value Added Finance Authority which do not have separately issued financial statements) should be read to obtain a complete overview of their financial position.

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 a balanced annual budget in which expenditures and appropriations may not exceed anticipated revenue. 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 upon approval of the special committee, as long as total appropriation levels are not exceeded.

Grant awards from the Federal Government account for the single largest source of revenues and expenditures for the State. The largest sources of General Fund revenues are sales and use taxes, contractors excise taxes, and lottery proceeds. The largest categories of General Fund expenditures are for state aid to primary and secondary education; health, human and social services; and law, justice, and public protection functions of government.

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).

The South Dakota Property and Casualty Insurance Company, LLC, a discretely presented component unit of the State, provides property, including content, business income, and extra expense coverage on the State's buildings.

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 of the assets of the Cash Flow Fund Portfolio, the South Dakota Retirement System, 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 \$86.8 million for fiscal year 2016. Income for the most recent five years totaled \$4.4 billion and, since inception, has exceeded \$15 billion. The Investment Council has grown from \$133.0 million in assets under management at the end of its first year to \$13.0 billion at June 30, 2016. The Cash Flow Fund Portfolio earned \$28.3 million this year, a yield of 1.41%. The Cash Flow Fund Portfolio has earned taxpayers \$1.1 billion over the past 44 years. The South Dakota Retirement System's assets have returned 10.1%, net of fees, for the past 43 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 approval for multi-state lotto games was given during the 1990 legislative session. The purpose of the Lottery is to provide the State additional revenues to fund vital public programs and projects. During fiscal year 2016, the Lottery generated \$117.6 million of income (before transfers) and provided \$117.7 million in transfers to other funds that improve the quality of life in South Dakota. Since its inception in 1987, the Lottery has distributed \$2.58 billion to those funds.

Retirement System. The South Dakota Retirement System (SDRS) 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. As of June 30, 2014, 2015, and 2016, SDRS had an actuarial value funded ratio of 100.0% and a fair value funded ratio of 107.3%, 104.1%, and 96.6% respectively. During the SDRS Board meeting on November 3rd, 2016, the Board of Trustees approved the following changes in actuarial assumptions effective for the June 30, 2017 valuation: reduce the annual price inflation assumption from 3.25% to 2.25%; reduce the annual investment return assumption from 7.25% through June 30, 2017, and 7.50% thereafter, to 6.50%; and reduce the annual wage growth assumptions from 3.75% to 3.00%. Had these assumptions been effective for the June 30, 2016 valuation, SDRS's fair value funded ratio would have been 87.0%. SDRS will bring legislation in 2017 in order to bring SDRS back in alignment with SDRS's funding objectives.

The unfunded actuarial accrued liability as a percent of covered payroll went from 14.8% in fiscal year 2007 to 0% in fiscal year 2016. The actuarial value funded ratio increased from 97.1% in fiscal year 2007 to 100% in fiscal year 2016. The funded 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 2016, SDRS experienced a 0.3% (time-weighted) market return, or 6.95% less than the assumed rate of return of 7.25%.

Plan assets at fair value in fiscal year 2016 were \$10.5 billion compared to plan assets of \$8.2 billion in fiscal year 2007.

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 twenty years. The system is subject to an annual actuarial valuation and annual audit performed by an independent audit firm.

As previously stated, SDRS is fully funded with an actuarial value funded ratio of 100% and a fair value funded ratio of 96.6%. Therefore SDRS currently has no unfunded actuarial accrued liability (AAL) and the statutory employer and employee contributions exceed the normal cost and expenses of the system. The portion of contributions previously assigned to pay down the unfunded AAL are now used to protect the system against future unfavorable experience and enhance the system's sustainability. If a future unfunded AAL develops, the statutory contributions in excess of normal cost and expenses will be available to pay down the unfunded AAL.

In fiscal year 2015, the State implemented GASB Statements 68 and 71 which required the State to recognize and report pension related liabilities, assets, deferred outflows of resources, deferred inflows of resources, expense/expenditures and revenues for pensions provided to its employees. As allowed by the GASB standards, the State used a June 30, 2015 measurement date to report its proportionate share of the SDRS in the fiscal year 2016 CAFR. As of June 30, 2015, SDRS reported a total pension liability of \$10.4 billion and a plan fiduciary net position of \$10.8 billion resulting in a fair value funded ratio of 104.1% and a net pension asset of \$424.1 million. The primary

government's proportionate share is 22.4%. Thus South Dakota is one of the few states in the nation to boast a net pension asset of \$95.2 million.

Additional information on the State's retirement plans and the related net pension asset 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. 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 national economic recession had a negative impact on employment during 2009 and 2010, but positive employment growth returned for the past several years. South Dakota's nonfarm employment declined 1.9% in 2009 and 0.1% in 2010, but rebounded with an average growth rate of 1.2% from 2011 through 2015. This compares to the United States nonfarm employment growth of -4.3% in 2009, -0.7% in 2010 and average growth of 1.2% from 2011 through 2015.

In fiscal year 2016, nonfarm employment in South Dakota grew 1.1% compared to the national growth rate of 1.9% over the same time period. Employment sectors that experienced growth in fiscal year 2016 in South Dakota include: mining, logging and construction; information; trade, transportation, and utilities; financial activities; professional and business services; education and health services; leisure and hospitality; and government. The employment sectors that experienced decreases during the fiscal year were manufacturing and other services.

The unemployment rate in South Dakota remained low over the course of fiscal year 2016 and was one of the lowest in the nation due to steady economic growth. In June of 2016, South Dakota's unemployment rate was 2.7%, which is 2.2% lower than the U.S. unemployment rate of 4.9% for the same month.

Income growth is another important indicator of the State's economic health. In calendar year 2015, which is the most recent annual data that is available, South Dakota's total personal income grew 4.8%, slightly higher than the U.S. growth rate of 4.5%. This growth in total personal income compares to the seven state Plains region average growth of 3.1% in 2015. The other Plains region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced income growth rates of 3.8%, 2.0%, 4.2%, 3.2%, 1.2%, and (-1.2%), respectively. South Dakota's per capita personal income was \$47,881 in 2015, 0.5% less than the U.S. average per capita income of \$48,112. In the past 10 years, South Dakota's per capita personal income has improved from 94.1% of the U.S. average in 2005 to 99.5% of the U.S. average in 2015.

In 2015, farm income in South Dakota was \$1.8 billion, which is down from record levels that were experienced from 2011 through 2014. From 2011 through 2014, farm income averaged over \$3.0 billion per year, with 2011 having the highest farm income on record in South Dakota at \$3.8 billion. This compares to the previous five-year average farm income level (2005 through 2009) of \$1.6 billion. Lower farm income is anticipated in South Dakota for 2016 due to lower commodity prices for both crops and livestock.

The outlook for South Dakota's economy is for slow and steady growth over the next two years, similar to what has been experienced in recent years. As of October 2016, South Dakota's nonfarm employment levels were 10,600 jobs, or 2.5% higher when compared to a year earlier. In addition, the unemployment rate in South Dakota is currently at 2.9%, lower than the U.S. unemployment rate of 4.9% as of October 2016. South Dakota's economy is expected to grow steadily in 2017 and 2018 as the State continues to boast one of the lowest state per capita taxes in the nation and a business friendly environment.

MAJOR INITIATIVES

With the continued support of the Legislature, Governor Dugaard 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:

Strengthening the State's financial condition and bond rating. Governor Dugaard is committed to the strength and the financial condition of the State and pledges to never lose sight of those values that keep our state strong. In doing so, he set a lofty goal to be recognized as AAA from all bond rating agencies. Recently the State attained that goal by receiving AAA public issuer rating from S&P, Fitch, and Moody's. This represents the highest rating possible from all three bond rating agencies. This goal was achieved by operating the State government under several basic principles; a long history of maintaining a structurally balanced budget, maintaining ample reserve balances, low debt, a healthy pension system, timely and accurate financial reporting, long-term financial planning and budget forecasting, and consistent conservative fiscal operations.

- **Balanced Budget.** South Dakota can proudly say that fiscal year 2016 was the 126th consecutive year the State has a balanced budget. We have made structurally balanced budgets the norm by using one-time dollars prudently, for one-time uses, and not to fund ongoing obligations.

The Constitution of the State of South Dakota requires the Governor to propose and the Legislature to pass an annual budget in which expenditures and appropriations may not exceed anticipated revenue. Additionally, state law requires BFM and the Legislature to prepare separate and independent revenue estimates for the budgeting process and update those during the fiscal year. These steps set a good fiscal example as well as help maintain fiscal responsibility and financial stability in South Dakota.

- **Budget Reserve.** The State has prudently maintained a 10% reserve of rainy day funds while using the excess to address emergencies and prepay liabilities. The State has two statutorily created reserve accounts – the General Fund Budget Reserve and the General Revenue Replacement Fund (previously known as the Property Tax Reduction Fund). The combined accrual basis balance of these two reserve accounts for fiscal years 2011 through 2015 was \$111.2 million, \$139.0 million, \$163.1 million, \$153.4 million, and \$171.3 million, respectively, and, \$157.4 for fiscal year 2016. In fiscal year 2016, the General Fund Budget Reserve declined from \$126.7 million to \$113.4 (on an accrual basis). This was a result of \$27.4 million that was transferred out of the General Fund Budget Reserve in accordance with House Bill 1203 for the purpose of paying or prepaying lease rental obligations related to bond debt. However, \$14.1 million of year-end unobligated cash was transferred into the General Fund Budget Reserve as a result of \$10.4 million of underspent general fund budgets and \$3.6 million of higher than expected revenues. The General Revenue Replacement Fund fiscal year 2016 beginning and ending balance remained constant at \$44.0 million. The \$157.4 million combined reserve balances is approximately 10.4% of the fiscal year 2016 General Fund total expenditures.
- **Debt Reduction.** House Bill 1203 from the 2016 Legislative Session and House Bill 1206 from the 2014 Legislative Session passed and signed by the Governor, provided \$42.3 million and \$56.3 million respectively for the early pay off of bonds, some of which had future call dates.
- **Financially Sound and Well-funded Retirement System.** South Dakota has one of the strongest pension plans in the nation. The long-term experience of South Dakota Retirement System (SDRS) has been very favorable, resulting in a funded status that exceeds virtually all other statewide public retirement systems. SDRS's Funded Ratio based on market value of assets for June 30, 2014, 2015, and 2016, was 107.3%, 104.1% and 96.6%. That is compared to an estimated 80%, 74% and 68% (respectively) for an average for other statewide public systems. This high funding status is attributed to two primary factors: 1) the employer members of SDRS have always made the required contributions into the fund, and 2) sound long-term investment plan.
- **Comprehensive Annual Financial Report.** In 1987, the State 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 30th consecutive year South Dakota has received an unqualified opinion on its CAFR. Additionally, as part of Governor Dugaard's Faster CAFR Initiative and with

help from additional resources, this CAFR is being issued by December 30, 2016, six months after the close of the fiscal year, which is the fastest it has been issued in the past 20 years.

- **Long-term Financial Planning.** Another aspect of strengthening the State's financial practices is for longer term financial planning. Two executive orders were signed by Governor Dugaard in the summer of 2014 which are designed to further strengthen South Dakota's fiscal practices. The first executive order directed the Bureau of Finance and Management to make dashboard metrics available to the public. Additionally, the first executive order further strengthened the Governor's Council of Economic Advisors. This executive order enhances the State's transparency all while providing additional expert opinions from university professors and business leaders from across the State. The second executive order directs the Bureau of Finance and Management to prepare three working documents designed to enhance South Dakota's long-term financial planning. The three documents are: a long-term budget forecast estimate, a capital expenditure plan, and a debt service policy. All three documents allow the State to continue sound financial practices while presenting a fiscal road map. In addition to this, Senate Bill 172 from the 2015 Legislative Session was passed and signed by the Governor which memorialized in state law the executive orders pertaining to the long-term financial planning. State law now requires the South Dakota Bureau of Finance and Management to update these long-term planning documents annually and release them for public viewing no later than January 15th of each year.
- **Liability Reduction.** In the spring of 2014, the State adjusted the retiree health plan premiums for the eligible retirees between the ages of 55 and 65 (pre 65). These adjusted premiums are projected to be fully supportive of the projected claim and fee costs of the pre 65 retiree health plan program thus eliminating the blended premium between the pre 65 retirees and the active employees. The new rates were graduated in with the first increase on July 1, 2014, and the final increase on January 1, 2015. This premium change assured that the State would not provide a direct or indirect premium subsidy and therefore eliminated the implicit rate subsidy. As a result, the State has eliminated its entire other postemployment benefit liability.
- **Risk Management.** House Bills 1185, 1186, and 1187 from the 2015 Legislative Session were passed and signed by the Governor. These bills established two captive insurance companies. One company provides property and casualty insurance coverage to better protect our state facilities, including Higher Education facilities. The other company provides commercial general liability; directors, officers, and entity coverage; and employment practices liability and errors and omissions coverage for authorities of the State. By establishing the captive insurance companies, the State and the authorities of the State pay insurance premiums to these captive insurance companies. Over the long term, premiums are anticipated to remain low and decrease while minimizing the risk of loss to the State and the component units.
- **Internal Controls.** The State has robust internal controls designed to provide reasonable assurance that the State is meeting its operational, reporting, and compliance objectives. This fact has been proven time and again that South Dakota is a leader in operational efficiencies, while maintaining sound safeguards of its assets and resources. Recently, some of the State's internal control practices have been recognized and adopted by national organizations as best practice templates for other governments; however, Governor Dugaard wants to do even better by advancing his Internal Control Initiative. As part of this Initiative, Senate Bill 162 was passed during the 2016 Legislative Session and signed by the Governor which creates the State Board of Internal Control. The Board's primary responsibility is to establish and maintain guidelines for an effective system of internal control to be implemented by state agencies.

Education. South Dakota has always been proud of its commitment to education. Recently, the State has cleared some major hurdles which will help insure the long-term success in providing quality education for South Dakota citizens.

- **Blue Ribbon Task Force and the 2016 Education Funding Reform.** In 2015, Governor Dugaard created the Blue Ribbon Task Force to revalue the K-12 education funding formula, collect and analyze data, seek public input and to make recommendations for reform to the 2016 Legislature. As a result of the Blue Ribbon Task Force recommendations, Governor Dugaard proposed, and the Legislature approved, a K-12 comprehensive education funding package aimed at increasing the statewide average teacher salary and recruiting high quality teachers in the state. The legislation was approved during the 2016 Legislative session and became law for state fiscal year 2017. The education reform package included three key pieces of legislation:

- Senate Bill 131 from the 2016 Legislative Session, passed and signed by the Governor, contains the mechanics of the new funding formula, which includes a target statewide average salary of \$48,500 per certified teacher, targeted student to teacher ratios for small, medium, and large school districts, and new requirements for reserve fund caps at the school district level. The legislation also requires that the majority of new funding be directed to increase instructional salaries and benefits at the local school district level.
 - Senate Bill 133 from the 2016 Legislative Session, passed and signed by the Governor, focused on voluntary shared services among school districts, classroom innovation grants, expansion of course offerings through the E-Learning Center, and a mentoring program for first and second year instructors.
 - House Bill 1182 from the 2016 Legislative Session, passed and signed by the Governor, increased the state sales and use tax by one-half cent. The net increase of funds is anticipated to generate \$106 million which was dedicated as follows: \$67 million for K-12 education to fund the new K-12 formula, \$36 million to provide property tax relief through the new education formula, and \$3 million for improving instructor salaries at the four technical schools across the state.
- **Higher Education Scholarships.** In an effort to address college affordability, the 2012 Legislature appropriated \$3 million in one-time funds to the Education Enhancement Trust Fund with the intent that interest earnings would be distributed to students under the statute requirements of the scholarship programs. The funding was divided equally between two specific programs – Need-based Scholarship Program and Critical Teaching Need Scholarship. To further address this matter, the 2016 Legislature passed Senate Bill 67, which appropriated an additional \$3.5 million to the Education Enhancement Trust Fund, as well as made programmatic changes. Those changes involved combining the two programs into one program named the Post-Secondary Scholarship Fund, with the intent of allocating 75% of the interest earnings to the Need-based Scholarship Program, and the remaining dollars set aside and distributed for the purpose of maintaining the Critical Teaching Need Scholarship.

ACKNOWLEDGMENTS

The preparation of this CAFR required the collective efforts of many financial personnel throughout the State from various agencies and departments. I sincerely appreciate the dedicated efforts of all of these individuals. I would like to recognize and commend the efforts of the accounting staff of each State agency and the staff of the Department of Legislative Audit. I would also like to acknowledge the Bureau of Finance and Management staff, Robert Norwick, Lori Sears, Amanda Werre, Seth Hipple, Tonya Johnson, Darcy McGuigan, David Goldammer, Dominique Ruppelt, Mark Edwardson, Teresa Evans, Amy Juso, and Adam Hansen for their talents in making this report possible and particularly Ron Wire whose 42 years of service to the Bureau of Finance and Management has been invaluable.

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,



Keith Senger, CPA
 Director of Accounting and Financial Reporting
 Bureau of Finance and Management

*SOUTH DAKOTA
FY2016 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 Shantel Krebs, Secretary of State
The Honorable Rich Sattgast, Treasurer
The Honorable Steve Barnett, Auditor
The Honorable Ryan Brunner, 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 Gary Cammak
Senate President Pro Tempore**

**The Honorable Dean Wink
Speaker of the House**

**The Honorable Corey Brown
Senate Majority Leader**

**The Honorable Billie Sutton
Senate Minority Leader**

**The Honorable Brian Gosch
House Majority Leader**

**The Honorable Spencer Hawley
House Minority Leader**

JUDICIAL BRANCH

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

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

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

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

**The Honorable Janine M. Kern
Associate Justice**

*SOUTH DAKOTA
FY2016 FUNCTIONS OF STATE GOVERNMENT*

GENERAL GOVERNMENT

Executive Management
Revenue
Lottery
Legislature
School and Public Lands
Secretary of State
State Treasurer
State Auditor

*HEALTH, HUMAN AND
SOCIAL SERVICES*

Social Services
Health
Labor and Regulation
Veterans' Affairs
Human Services
Retirement System

*LAW, JUSTICE, PUBLIC
PROTECTION
AND REGULATION*

Corrections
Unified Judicial System
Attorney General
Public Safety
Military
Appraiser Program
Labor Financial Services
Labor Boards and Commissions
Revenue – Commission on Gaming
Public Utilities Commission

*AGRICULTURE AND
NATURAL RESOURCES*

Agriculture
Game, Fish and Parks
Environment and Natural Resources

TRANSPORTATION

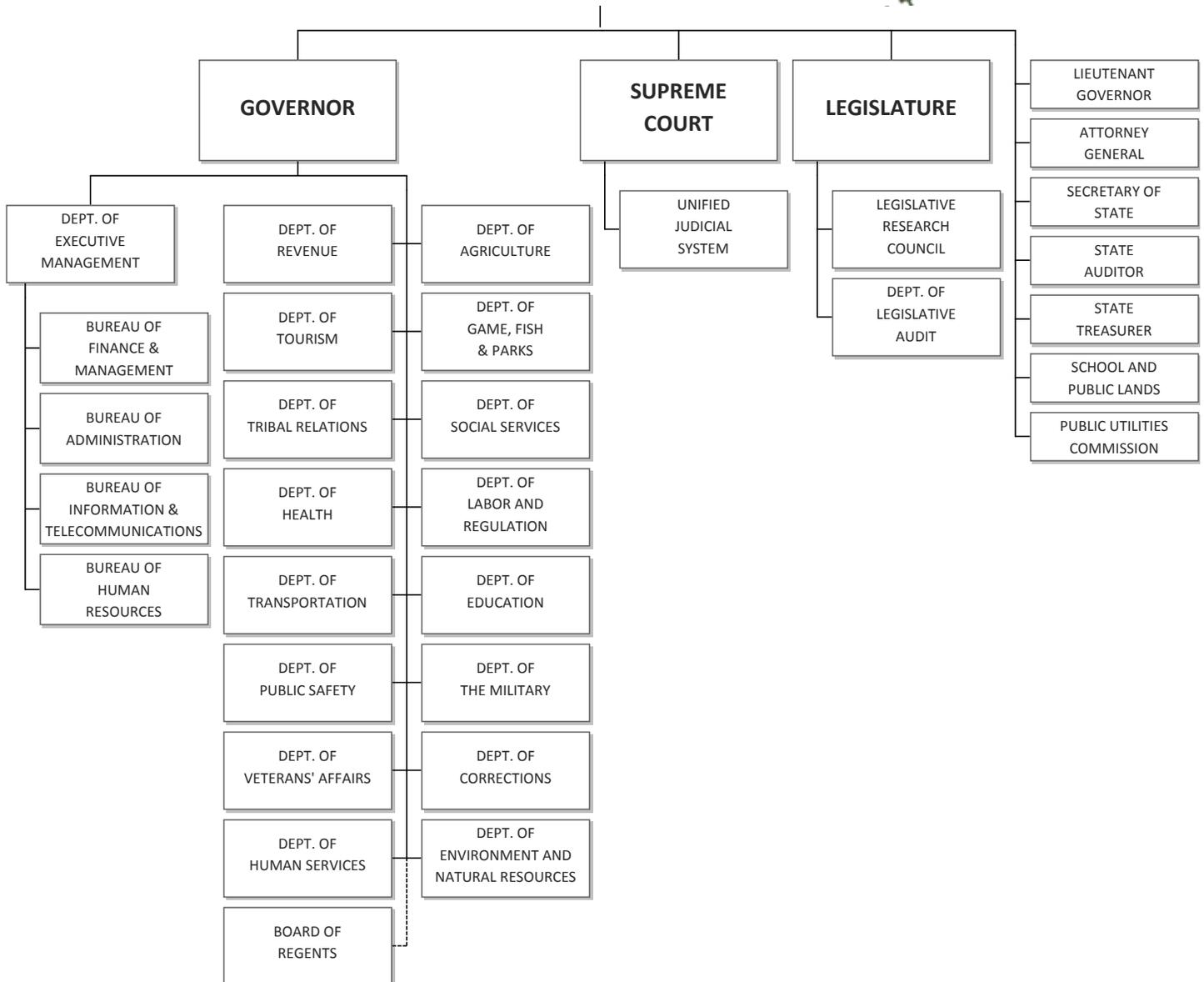
Transportation

EDUCATION

Education
Elementary, Secondary, and Vocational
Schools
Higher Education
State Aid to Universities

ECONOMIC RESOURCES

Tourism
Economic Development
Tribal Relations





FINANCIAL SECTION



FINANCIAL SECTION



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

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

Report on the Financial Statements

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 (State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Development Authority, the South Dakota Ellsworth Development Authority and certain foundations of Higher Education. Those financial statements reflect total assets and deferred outflows of resources and revenues 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>
Government-wide financial statements:		
Business-type activities:		
Unemployment Insurance Fund	11.1%	14.8%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Authority	39.7%	10.3%
South Dakota Ellsworth Development Authority	.8%	.7%
Foundations of Higher Education	15.2%	5.1%

Aggregate remaining fund information:		
Unemployment Insurance Fund	.9%	1.7%
South Dakota Retirement System	88.2%	10.6%

* including deferred outflows of resources

Those 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 these entities, are based solely 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 from material misstatement. The financial statements of the discretely presented component units (foundations) of Higher Education were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of 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 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 32, the budgetary comparison schedules on pages 120 through 135, and the Schedules of Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions on page 136 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as the combining and individual fund financial statements on pages 138 through 173 and the other information, such as the introductory and statistical sections on pages 1 through 7 and 175 through 194, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2016 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Martin L. Guindon, CPA
Auditor General

December 30, 2016



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, 2016. This document begins with a one page summary of financial highlights, followed by a more detailed overview of the financial statements and financial analysis. Please read it in conjunction with the transmittal letter found on page 1 in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHT SUMMARY

Government-wide

- Total assets and deferred outflows of resources of the State exceeded its total liabilities and deferred inflows of resources at the close of the fiscal year by \$6.2 billion (reported as net position). Of this amount \$5.3 billion is restricted for specific uses or invested in capital assets. The remaining \$0.9 billion is unrestricted and may be used to meet the government's ongoing obligations. However, certain resources within this unrestricted net position have internally imposed limitations that are discussed within the *Government-wide Financial Analysis* section of this document.
- The State's total net position increased by \$91.8 million, or 1.5% from the prior year. Net position of Governmental Activities increased by \$52.7 million, or 1.0%, while net position of Business-type Activities increased by \$39.2 million, or 6.2% over the prior year.
- The State reported a net pension asset of \$95.2 million during the fiscal year and the component units reported a \$67.7 million net pension asset.
- Component units reported total net position of \$2.1 billion, an increase of \$140.2 million, or 7.2% from the prior year.

Fund Level

- The State's governmental funds reported combined ending fund balances of \$1.8 billion, a decrease of \$62.5 million, or 3.4% from the prior year. Of the \$1.8 billion in combined ending fund balance, \$516.7 million is nonspendable and \$902.2 million is restricted by outside sources or enabling legislation. Another \$43.7 million is committed by state law and \$81.5 million has been assigned for various specific purposes. The remaining \$237.4 million is unassigned. Please refer to the Notes to the Financial Statements for further explanation and breakdown of these balances. Certain resources within the \$237.4 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.
- At the end of the fiscal year, the General Fund had a fund balance of \$309.5 million. This includes budget reserves in General Fund Budget Reserve and General Revenue Replacement balances of \$113.4 million and \$44.0 million, respectively.
- The State's three trust funds (Dakota Cement Trust, Education Enhancement Trust and Health Care Trust, reported as special revenue funds) and the State's Permanent Fund all declined slightly in value during the fiscal year because statutory disbursement exceeded earnings. After transferring a combined amount of \$34.6 million to the General Fund, these funds closed the year with a combined ending fund balance of \$958.1 million, a decrease of \$23.4 million.
- Proprietary funds reported net position at year-end of \$719.6 million, an increase of \$24.5 million, or 3.5% from the prior year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2016, totaled \$522.3 million, a decrease of \$33.2 million from the last fiscal year-end. The decrease represents the net difference between new issuances, payments, refunding and defeasance of outstanding debt.
- No new long-term indebtedness was issued for the primary government for Governmental Activities or Business-type Activities.
- The South Dakota Building Authority issued \$10.9 million in revenue bonds for Higher Education.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 Position* presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them being reported as net position. Over an extended period of time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position and the Statement of Activities segregate the activities of the State into three types:

- *Governmental Activities.* The Governmental Activities of the State include the following:
 - 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
 - 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:
 - South Dakota Housing Development Authority
 - South Dakota Science and Technology Authority
 - Higher Education
 - South Dakota Economic Development Finance Authority
 - South Dakota Value Added Finance Authority
 - South Dakota Ellsworth Development Authority
 - The South Dakota Authority Captive Insurance Company, LLC
 - The South Dakota Property and Casualty Captive Insurance Company, LLC

Other component units are blended and reported as part of primary government or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer to 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, 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 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 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 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 Statements because those services predominantly benefit governmental rather than Business-type Activities.

The State maintains several individual proprietary funds. 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 Position and Statement of Revenues, Expenses, and Changes in Net Position. 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 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 the 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 Budgetary Comparison Schedules and related notes; and two pension related schedules.

The Budgetary Comparison Schedules are 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. These schedules present the original and final appropriated expenditure budgets and estimated receipts for the fiscal year. The Budgetary Comparison Schedule also lists the actual inflows and 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 inflows and outflows to GAAP revenues and expenditures.

The pension related schedules include a Schedule of Proportionate Share of Net Pension Liability (Asset) and a Schedule of Contributions. The first schedule highlights key amounts relating to State's share of the Net Pension Liability (Asset). The second schedule illustrates contributions as a percentage of the State's covered-employee payroll.

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 Position

As presented in the following table, total assets and deferred outflows of resources of the State on June 30, 2016 were \$7.4 billion, while total liabilities and deferred inflows of resources were \$1.2 billion, resulting in combined net position (Governmental and Business-type Activities) of \$6.2 billion a 1.5% increase from the previous year. This increase in total net position reflects the growing South Dakota economy and sound management of the State's resources.

State of South Dakota
Net Position as of June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	
Current and Other Assets	\$ 2,331,555	\$ 2,467,859	\$ 923,766	\$ 907,044	\$ 3,255,321	\$ 3,374,903	(3.5)%
Capital Assets	3,956,768	3,865,996	6,358	2,811	3,963,126	3,868,807	2.4%
Total Assets	6,288,323	6,333,855	930,124	909,855	7,218,447	7,243,710	(0.3)%
Deferred Outflows of Resources	179,888	144,395	9,341	9,199	189,229	153,594	23.2%
Current and Other Liabilities	355,446	359,104	13,166	15,560	368,612	374,664	(1.6)%
Long-Term Liabilities Outstanding	405,671	423,276	250,705	266,084	656,376	689,360	(4.8)%
Total Liabilities	761,117	782,380	263,871	281,644	1,024,988	1,064,024	(3.7)%
Deferred Inflows of Resources	138,665	180,116	3,059	4,029	141,724	184,145	(23.0)%
Net Position:							
Net Investment in Capital Assets	3,804,409	3,713,057	6,357	2,810	3,810,766	3,715,867	2.6%
Restricted	1,509,441	1,537,781	5,481	6,155	1,514,922	1,543,936	(1.9)%
Unrestricted	254,579	264,916	660,697	624,416	915,276	889,332	2.9%
Total Net Position	\$ 5,568,429	\$ 5,515,754	\$ 672,535	\$ 633,381	\$ 6,240,964	\$ 6,149,135	1.5%
Percent of Total Primary Government Net Position	89.2%	89.7%	10.8%	10.3%	100.0%	100.0%	

In fiscal year 2016, Governmental Activities accounted for 89.2% of the State's total net position and business-type activities accounted for 10.8% as compared to 89.7% and 10.3% in the prior fiscal year.

Net Investment in Capital Assets

The largest component of the State's net position, \$3.8 billion or 61.1%, reflects 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. This represents a \$94.9 million, or 2.6% increase in the State's investment in capital assets from the prior year. 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 Position

Total restricted net position at year-end was \$1.5 billion, or 24.3%, of total net position, a decrease of \$29.0 million, or 1.9% from the prior year. The net position is 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.

A majority of the restricted net position is accounted for in the State's three trust funds and the State's Permanent fund. As discussed later in this document, two of these trust funds (Education Enhancement Trust and Health Care Trust) and the Permanent fund are held as permanent investments, either as expendable (\$174.0 million) or nonexpendable (\$489.5 million), and the third (Dakota Cement Trust) is restricted for education (\$294.6 million).

The combined fund balance of these four funds totals \$958.1 million. Aside from the constitutionally authorized annual distributions, these funds can only be accessed through a constitutional amendment (Dakota Cement Trust and Permanent Fund) or by a three-fourths vote of the legislature (Health Care Trust Fund and Education Enhancement Trust).

The remaining \$526.8 million of restricted net position is restricted for highways (\$143.7 million), pensions (\$132.1 million) agriculture and natural resources (\$82.2 million), economic development (\$45.5 million), railroads (\$31.8 million), debt service (\$24.0 million), and the remaining amount for other purposes.

A majority of the \$29.0 million decrease in the restricted net position is attributed to a \$11.1 million decrease in restricted for railroads and \$12.6 million decrease in the funds held for permanent investment.

Unrestricted Net Position

The remaining net position balance, \$915.3 million, is defined by accounting standards as “unrestricted” net position. However, much of the unrestricted net position balances 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 position imposed by federal regulations and bond covenants include \$222.7 million within the Clean Water State Revolving Fund and \$184.9 million within the Drinking Water State Revolving Fund. Other federal and state regulation limitations include, but are not limited to, \$112.2 million within the Revolving Economic Development and Initiative Fund, \$104.4 million for unemployment insurance claims, and \$8.5 million for revolving loan programs.

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

- *General Fund Budget Reserve (\$113.4 million)*. The 1991 South Dakota Legislature established a General Fund Budget Reserve (GFBR) 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 house 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. Revenues deposited in the GFBR include unobligated General Fund cash remaining at the end of a fiscal year up to an amount equal to 10% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The balance in the GFBR at June 30, 2016 was \$113.4 million, a decrease of \$13.3 million from the prior year. During the year \$27.4 million was transferred out of the GFBR for in accordance with HB1203 for the purpose of paying or prepaying lease rental obligations and \$14.1 million was transferred in as a result of under spent general fund budgets and higher than expected revenues.
- *General Revenue Replacement Fund (\$44.0 million)*. House Bill 1050, passed during the 2015 legislative session, created the “General Revenue Replacement Fund” (GRRF). This fund is to be used to balance the General Fund annual budget due to an unforeseen revenue shortfall. This fund replaces the Property Tax Reduction Fund (PTRP) and the 6/30/2015 balance in the PTRF was transferred into the GRRF. Revenues deposited in the GRRF include unobligated General Fund cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, if the amount in the GRRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fiscal year 2016 beginning and ending balance in the GRRF remained unchanged at \$44.0 million.

Changes in Net Position

The following table summarizes financial information derived from the Government-wide Statement of Activities and reflects how the State's net position changed during fiscal year 2016:

State of South Dakota
Change in Net Position
for the Fiscal Year Ending June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	
Revenues:							
Program Revenues:							
Charges for Service	\$ 469,344	\$ 465,139	\$ 247,384	\$ 234,658	\$ 716,728	\$ 699,797	2.4%
Operating Grants and Contributions	1,475,671	1,493,542	32,772	30,005	1,508,443	1,523,547	(1.0)%
Capital Grants and Contributions	7,045	21,946	727	2,810	7,772	24,756	(68.6)%
General Revenues:							
Sales Taxes	905,475	871,402			905,475	871,402	3.9%
Motor Fuel Taxes	184,105	151,901			184,105	151,901	21.2%
Contractors Excise Taxes	104,979	101,678			104,979	101,678	3.2%
Bank Card and Franchise Taxes	25,943	20,669			25,943	20,669	25.5%
Other Taxes	360,917	331,649			360,917	331,649	8.8%
Investment Earnings	14,997	47,130			14,997	47,130	(68.2)%
Gain on Sale of Capital Assets	2,057	1,198			2,057	1,198	71.7%
Miscellaneous	88,463	81,275			88,463	81,275	8.8%
Total Revenues	3,638,996	3,587,529	280,883	267,473	3,919,879	3,855,002	1.7%
Program Expenses:							
General Government	198,079	185,273			198,079	185,273	6.9%
Education – Elementary, Secondary and Vocational Schools	210,777	210,271			210,777	210,271	0.2%
Education – State Support to Higher Education	232,245	192,950			232,245	192,950	20.4%
Health, Human, and Social Services	1,423,411	1,406,586			1,423,411	1,406,586	1.2%
Law, Justice, Public Protection, and Regulation	269,583	279,097			269,583	279,097	(3.4)%
Agriculture and Natural Resources	153,087	140,921			153,087	140,921	8.6%
Economic Resources	56,138	74,004			56,138	74,004	(24.1)%
Transportation	561,536	507,300			561,536	507,300	10.7%
Intergovernmental – Payments to School Districts	421,666	404,909			421,666	404,909	4.1%
Intergovernmental – Revenue Sharing	173,721	169,514			173,721	169,514	2.5%
Unallocated Interest Expense	6,627	6,712			6,627	6,712	(1.3)%
Unallocated Depreciation	53	53			53	53	0.0%
Lottery			43,454	41,053	43,454	41,053	5.8%
Clean Water State Revolving			8,290	9,673	8,290	9,673	(14.3)%
Drinking Water State Revolving			9,031	8,651	9,031	8,651	4.4%
Other			60,352	56,081	60,352	56,081	7.6%
Total Expenses	3,706,923	3,577,590	121,127	115,458	3,828,050	3,693,048	3.7%
Excess (Deficiency) Before Transfers	(67,927)	9,939	159,756	152,015	91,829	161,954	
Transfers	120,602	113,558	(120,602)	(113,558)			
Change in Net Position	52,675	123,497	39,154	38,457	91,829	161,954	
Net Position – Beginning	5,515,754	5,308,747	633,381	593,057	6,149,135	5,901,804	
Restatement - implementation of GASB 68 & 71		83,510		1,867		85,377	
Adjusted Net Position - Beginning	5,515,754	5,392,257	633,381	594,924	6,149,135	5,987,181	
Net Position – Ending	\$ 5,568,429	\$ 5,515,754	\$ 672,535	\$ 633,381	\$ 6,240,964	\$ 6,149,135	
Percent Change in Total Net Position from prior year	1.0%		6.2%		1.5%		

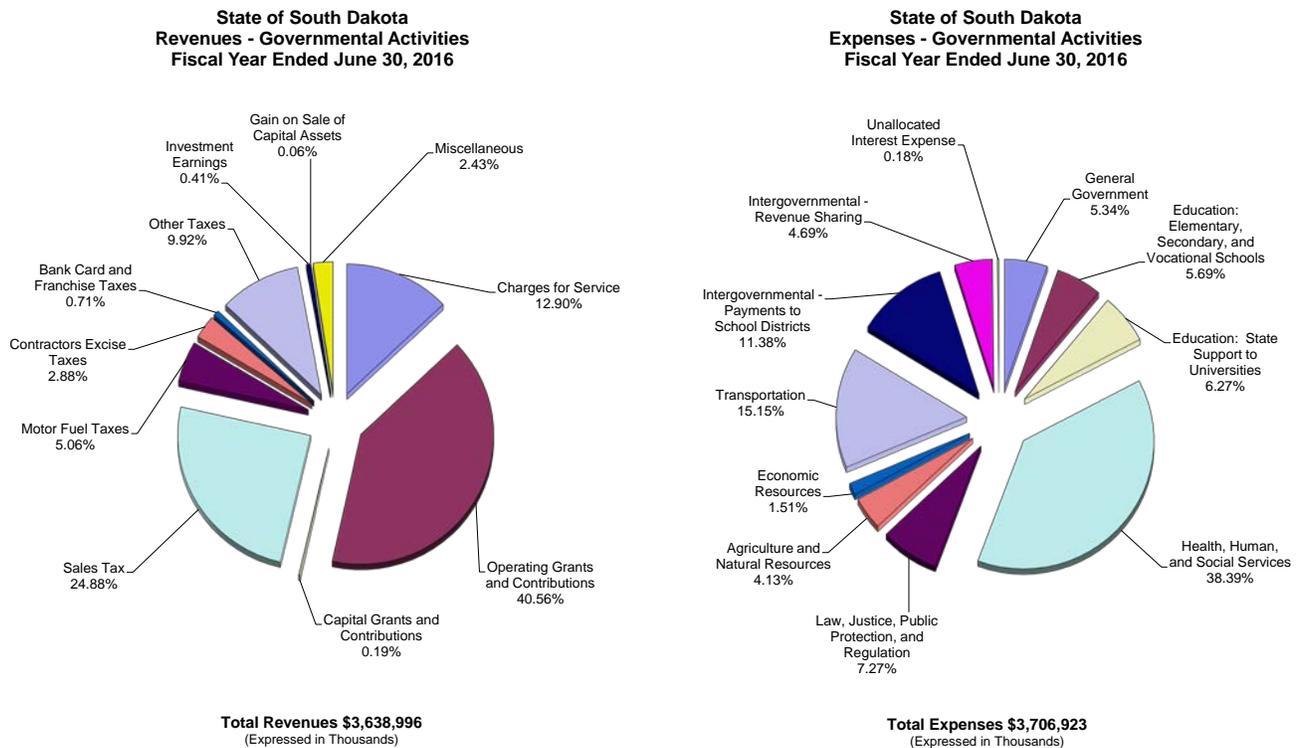
Governmental Activities:

The State's net position for Governmental Activities at the end of fiscal year 2016 was \$5.6 billion. This represents an increase of 1.0% or \$52.7 million from the prior year. This was the result of the net effect of the following: (1) \$3.6 billion revenues (an increase from the prior year of \$51.5 million); less (2) \$3.7 billion expenses (an increase over the prior year of \$129.3 million); plus (3) net transfers of \$120.6 million (primarily from the South Dakota Lottery Fund).

- The increase in revenues was primarily due to \$34.1 million, \$32.2 million, and \$29.3 million increases in sales, motor fuel and other taxes, respectively. These increases were offset by a \$32.1 million decrease in investment earnings.

- The increase in expenses was primarily due to \$54.2 million, \$39.8 million, and \$16.8 million increases to transportation; education; and health, human and social services functions of government, respectively.

The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2016:



This fiscal year, the State received 40.6% of its revenues from grants and contributions, and 24.9% from sales tax. In the previous year, grant and contributions accounted for 41.6% and 24.3% from sales tax. Charges for service accounted for 12.9% as compared to 13.0% in the prior fiscal year.

In fiscal year 2016, health, human, and social services (taking care of people) accounted for 38.4% of the State's expenses, followed by 23.3% to education (K-12 and post-secondary), 15.2% to transportation (constructing and maintain roads and bridges), and 7.3% for law, justice, public protection, and regulation (protecting people).

Business-type Activities:

Net position of the Business-type Activities at the end of fiscal year 2016 was \$672.5 million, an increase of \$39.2 million due to total revenues exceeding total expenses and transfers out. Although net position for Business-type Activities only accounts for roughly 10.8% of the total net position, Business-type Activities provided \$120.6 million in net transfers to Governmental Activities to help fund current operations, most of which came from the South Dakota Lottery Fund.

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, General Revenue Replacement Fund, and Permanent Fund), unless appropriated by legislative action as defined by State law.

As shown in the table below, at the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.8 billion, a decrease of \$62.5 million during the year. Of this amount, approximately 29.0%, or \$516.7 million of the combined ending fund balances is nonspendable; either due to its form or legal constraints. The nonspendable portion is predominately made up of the Education Enhancement Trust and the Health Care Trust funds to be held as permanent investments. Approximately 50.6%, or \$902.2 million of the combined ending fund balances is restricted by outside sources or enabling legislation. 2.5%, or \$43.7 million of the combined balance is committed by state law and 4.6%, or \$81.5 million, has been assigned internally for specific purposes. The remaining \$237.4 million or 13.3% is reported as unassigned in accordance with GASB Statement 54. Certain resources within the \$237.4 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 explanation and breakdown of these balances.)

State of South Dakota
Governmental Fund Balance as of June 30, 2016
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total	% of Total Fund Balance
Nonspendable	\$ 4,193	\$ 19,424	\$ 116	\$	\$ 358,321	\$ 134,664	\$ 516,718	29.0%
Restricted	8,384	135,430		294,572	131,382	332,449	902,217	50.6%
Committed						43,652	43,652	2.4%
Assigned	54,516		1,003			26,019	81,538	4.6%
Unassigned	242,449					(5,048)	237,401	13.3%
Total Fund Balances	\$ 309,542	\$ 154,854	\$ 1,119	\$ 294,572	\$ 489,703	\$ 531,736	\$ 1,781,526	
% Change from prior year	(2.7)%	2.4%	(18.9)%	(3.5)%	(1.5)%	(6.8)%	(3.4)%	

The following governmental funds are major funds and had significant impact on the State's financial position during fiscal year 2016:

General Fund (\$309.5 million).

The General Fund is the chief operating fund of the State. It accounts for all financial resources not accounted for and reported in another fund.

The General Fund receives a majority of its operating cash from sales and use tax, and contactor's excise tax revenue. Other General Fund significant revenues include, but are not limited to, insurance company tax, cigarette excise tax, unclaimed property remittance, bank taxes, tourism tax, alcoholic beverage tax, and mineral tax. The General Fund also receives annual statutory transfers from the South Dakota Lottery Fund, the Securities and Insurance Fund, the Education Enhancement Trust Fund, the Dakota Cement Trust Fund, the South Dakota Gaming Commission Fund, and the Health Care Trust Fund.

A vast majority of the General Fund expenditures are for education (K-12 and post-secondary); health, human, and social services (taking care of people); and law, justice, public protection, and regulation (protecting people). The General Fund also makes annual transfers out for debt service and to various other funds.

The exhibit below details the General Fund revenue, expenditures, and transfers in a comparative table.

State of South Dakota
Change in Revenue, Expenditures and Transfers
General Fund
(Expressed in Thousands)

Revenues and Transfers In				Expenditures and Transfers Out			
	General Fund		% of		General Fund		% of
	FY2016	FY2015			Change	FY2016	
Revenue:				Expenditures:			
Taxes:				Current:			
Sales and Use Tax	\$ 887,715	\$ 859,575	3.3%	General Government	\$ 54,597	\$ 52,024	4.9%
Contractor's Excise Tax	104,907	101,999	2.9%	Education (all)	682,689	623,139	9.6%
Insurance Company Tax	75,243	72,644	3.6%	Health, Human, and Social Services	547,396	529,791	3.3%
Cigarette Excise Tax	47,808	35,091	36.2%	Law, Justice, Public Protection, and Regulation	150,833	152,431	(1.0)%
Bank Tax	25,412	20,669	22.9%	Agriculture and Natural Resources	18,314	16,163	13.3%
Tourism Tax	21,831	16,612	31.4%	Economic Resources	23,818	28,745	(17.1)%
Alcohol Beverage Tax	17,580	16,356	7.5%	State Shared Revenue Paid			
Mineral Tax	8,260	7,508	10.0%	to Other Other Governments	36,335	37,685	(3.6)%
Other	8,049	7,489	7.5%	Total Expenditures	\$ 1,513,982	\$ 1,439,978	5.1%
Licenses, Permits and Fees	10,165	10,267	(1.0)%				
Fines, Forfeits, and Penalties	366	368	(0.5)%				
Use of Money and Property	10,788	6,658	62.0%				
Sales and Services	19,737	23,463	(15.9)%				
Administering Programs	20	10	100.0%				
Unclaimed Property Remittance	57,799	50,883	13.6%				
Other Revenue	9,493	7,548	25.8%				
Total Revenue	\$ 1,305,173	\$ 1,237,140	5.5%				
Transfers In:				Transfers Out:			
South Dakota Lottery fund	\$ 109,756	\$ 105,708	3.8%	Vocational Education Facilities	\$ 9,559	\$ 2,217	331.2%
Securities and Insurance fund	46,556	45,752	1.8%	Public Safety Emergency Management		6,829	
Education Enhancement Trust fund	18,243	17,037	7.1%	Education Enhancement Trust	2,100		
Dakota Cement Trust fund	11,436	10,804	5.8%	Labor	1,447	1,406	2.9%
South Dakota Gaming Commission fund	6,261	6,182	1.3%	State Fire Suppression fund	1,300	750	73.3%
Health Care Trust fund	4,970	4,674	6.3%	Railroad Trust	1,000		
All Other Transfer Ins	20,874	25,145	(17.0)%	Building Authority Debt Service fund		1,429	
Total Transfers In	\$ 218,096	\$ 215,302	1.3%	All Other Transfer Outs	2,667	2,069	28.9%
				Total Transfers Out	\$ 18,073	\$ 14,700	22.9%

The General Fund experienced increases in most of its major sources of revenues such as sales and use tax (increase of \$28.1 million), cigarette excise tax (increase of \$12.7 million), tourism tax (increase of \$5.2 million), bank tax (increase of \$4.7 million), and contractors excise tax (increase of \$2.9 million). These increases are directly attributed to the steadily growing South Dakota economy and contributed to the General Fund overall revenue increase of \$68.0 million from the prior year. It is also important to note that House Bill 1182 from the 2016 Legislative Session, passed and signed by the Governor, increased the sales and use tax by one-half cent, effective June 1, 2016. Therefore, fiscal year 2016 experienced one month of higher sales and use tax rates, which attributed to a portion of the increase in sales and use tax.

Transfers into the General Fund from the prior year increased by \$2.8 million or 1.3%. The increases in transfers into the General Fund are attributed to growth in the South Dakota Lottery, Securities and Insurance Fund, and slight increases from the State's three trust funds and other funds with statutory transfers.

With the implementation of GASB Statement 54, fourteen statutorily created funds do not qualify as Special Revenue Funds and were required to be combined with the State's General Fund in fiscal year 2016. The General Fund and these fourteen funds were, and will continue to be budgeted for, accounted for, and tracked separately on the State's budget and accounting systems.

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

	<u>General Fund FY2016 Beginning Fund Balance</u>	<u>General Fund FY2016 Ending Fund Balance</u>
Fund Balance - General Fund, as restated	\$ 318,140	\$ 309,542
Less: Statutorily Created Funds Combined with the General Fund	Beginning Balance	Ending Balance
Property Tax Reduction - assigned for Education	\$ 44,610	\$ 0
Tourism Promotion - assigned for Tourism Promotion	2,886	3,976
Investment Council Operating - assigned for Other	3,571	1,580
Private Activity Bond - assigned for Other	409	916
Teen Court - assigned for Other	11	263
Proof of Concept - assigned for Economic Development	202	-
Economic Development - assigned for Economic Development	1,072	1,021
Local Infrastructure Improvement - assigned for Economic Development	3,780	5,518
Workforce Education - assigned for Education	1,432	2,940
Tax Relief - unassigned	-	-
Building South Dakota - assigned for Economic Development and Education; and Health and Public Assistance	15,413	9,158
Extraordinary Litigation Expense - assigned (unassigned)	(1,437)	(661)
Legislative Contingency Fund - unassigned	1,000	1,000
Unclaimed Property - unassigned	30	29
Total GASB 54 combinations	<u>72,979</u>	<u>25,740</u>
Fund Balance - General Fund - excluding GASB 54 combinations	<u>\$ 245,161</u>	<u>\$ 283,802</u>

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

In evaluating a contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account should be reported in the State's General Fund. As of June 30, 2016 the following equity balances were included within the State's General Fund (expressed in thousands):

	<u>General Fund FY2016 Beginning Fund Balance</u>	<u>General Fund FY2016 Ending Fund Balance</u>
Fund Balance - General Fund - excluding GASB 54 combinations	\$ 245,161	\$ 283,802
Less: SDRC Funds Combined with the General Fund	Beginning Balance	Ending Balance
SDRC Indemnification Fund One Account - restricted for Economic Development	\$ 1,637	\$ 2,619
Total SDRC combinations	<u>1,637</u>	<u>2,619</u>
Fund Balance - General Fund - excluding all combinations	<u>\$ 243,524</u>	<u>\$ 281,183</u>

At the end of the fiscal year, total fund balance of the General Fund was \$309.5 million (including GASB 54 combination and the SDRC accounts), a decrease of \$8.6 million, or 2.7% from the prior year.

Specific changes in the General Fund balance include the following:

- Restricted ending fund balance of \$8.4 million decreased by \$2.1 million or 20.0% from the prior fiscal year. This decrease is attributed to a decrease in securities held as escheat property. During the fiscal year, the number of securities remitted to the State as escheat property leveled off and the number of the shares restricted by SDCL 43-41B-23 decreased.
- Assigned ending fund balance of \$54.5 million decreased by \$65.7 million, or 54.6% from the prior fiscal year. This decrease was primarily due to House Bill 1050 passed during the 2015 legislative session, which eliminated the Property Tax Reduction Fund (PTRF) and transferred \$44.0 million of cash (assigned fund balance) from the PTRF to the newly created the General Revenue Replacement Fund (unassigned fund balance).

- Unassigned fund balance of \$242.4 million increased by \$58.9 million, or 32.1% from the prior fiscal year. The majority of this increase is attributed to House Bill 1050 passed during the 2015 legislative session which transferred \$44.0 million of assigned fund balance to unassigned fund balance as discussed above.

It is important to note that some of this unassigned fund balance has other restricting 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; \$113.4 million is the General Fund Budget Reserve which is created by state law and to be used only to address emergency situations without having to raise taxes or cut spending. Other limitations on the General Fund include:

- \$28.6 million of the unassigned fund balance represents tax revenue that was received and recognized as revenue in the General Fund in fiscal year 2016 for financial reporting purposes, but not distributed on a cash basis to the General Fund until fiscal year 2017. This revenue will be used in fiscal year 2017 cash basis operations.
- \$54.8 million of the unassigned fund balance 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 the 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 3.6% of the total General Fund operating expenditures, while the unassigned fund balance (including the GFBR and GRRF) represents 16.0% of that same amount.

See the Budgetary Highlights – General Fund section in this document for more discussion on the General Fund.

Transportation (\$154.9 million).

The Transportation Fund is a major special revenue fund that accounts for the construction and maintenance of the State's highways and bridges, and funding public transportation. Its revenue is comprised of federal grants, state motor fuel taxes, and state motor vehicle excise taxes. All revenues of the Transportation fund are used and expended under the direction of the State's Department of Transportation. The total fund balance at the end of the current fiscal year for this fund was \$154.9 million, an increase of \$3.6 million, or 2.4% from the prior fiscal year.

During the fiscal year, total revenue for the Transportation Fund increased by \$67.3 million, or 11.5% from the prior year. This increase in revenue is the result of a \$52.1 million, or a 22.4% increase in taxes, and a \$7.7 million or 2.2% increase in administering program revenue (i.e. federal grant revenue) from the prior year. A majority of the tax revenue increase is attribute tax rate increases in motor fuel tax and vehicle excise tax.

Total expenditures in the Transportation fund increased by \$90.8 million or 16.1% from the previous year. This change comes from an \$82.6 million or 19.2% increase in contractual services and a \$6.8 million or 31.6% increase in capital outlay attributed to an increase in construction activity.

Social Services Federal (\$1.1 million).

The Social Services Federal fund is a major special revenue fund that consists of over sixty federal grants and entitlement programs administered to provide social, financial, and medical services to eligible South Dakotans with the goal of fostering independence and personal responsibility. This fund is administered by the State's Department of Social Services. Some of the major grants included in this fund are Medicaid, Low Income Heating and Energy Assistance Payments, Temporary Assistance to Needy Families, State Children's Health Insurance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Child Care and Development Fund Mandatory, Child Care and Development Block Grant, Foster Care - Title IV-E, and Child Support Enforcement.

Revenue in the fund consists of federal grants from the U.S. Department of Health and Human Services, the U.S. Department of Agriculture, the U.S. Department of Energy, the U.S. Department of Justice, and Federal pass-through grants from various State entities. The majority of the funding is expended on entitlement programs, service contracts to providers, and the administration of these programs. A majority of the State match to these federal grants is accounted for and expended out of the General Fund. The total fund balance at the end of the current fiscal year for the Social Services Federal Fund was \$1.1 million, a decrease of \$0.3 million the prior fiscal year.

Program revenue of \$668.7 million decreased by 2.2% and expenditures of \$668.7 million fell by 2.1% from the prior fiscal year, predominantly due to the drop in the federal FMAP rate in the Medicaid program.

Dakota Cement Trust Fund (\$294.6 million).

As created in Article XIII, Sections 20 and 21 of the Constitution of the State of South Dakota, this fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings. "Four percent of the lesser of the average market value of the trust fund determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters as of December thirty-first of that year and dividing that sum by sixteen, or the market value of the trust fund at the end of that calendar year" shall be transferred to the General Fund in support of education. The Dakota Cement Trust Fund transferred \$11.4 million to the General Fund in fiscal year 2016 and \$10.8 million in fiscal year 2015.

The fund balance in the Dakota Cement Trust Fund at June 30, 2016, was \$294.6 million and is restricted for education. This is a decrease of \$10.8 million from the previous year. The decrease resulted primarily from expenditures and the required transfer to the General Fund, exceeding investment income.

Education Enhancement Trust Fund (\$489.7 million).

This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and General Fund appropriations for scholarship purposes. 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 Education Enhancement Trust Fund transferred \$18.2 million to the General Fund in fiscal year 2016 and \$17.0 million in fiscal year 2015.

The fund balance in the Education Enhancement Trust Fund at June 30, 2016, was \$489.7 million, a decrease of \$7.4 million from the prior year. This decrease resulted primarily from the operating expenditures and the required transfer to the General Fund exceeding investment income and transfers in to the Education Enhancement Trust Fund of \$7.6 million for residual Tobacco Settlement Revenue (from the Education Enhancement Funding Corporation) and \$2.1 million for scholarships (from the General Fund).

Proprietary Funds

The State's proprietary funds are presented on the accrual basis of accounting and include the State's enterprise and internal service funds. The following proprietary funds had significant activity or changes to net position during fiscal year 2016:

Lottery Fund (\$7.0 million).

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 position of \$7.0 million, a decrease of \$0.1 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$117.6 million on total revenue of \$160.6 million, compared to the previous fiscal year's income (before transfers) of \$111.4 million on total revenue of \$152.3 million. The increase in revenues was the result of an increase in video lottery and on-line ticket sales. During fiscal year 2016, the State Lottery Fund distributed approximately \$109.8 million to the General Fund, \$7.7 million to the Capital Construction Fund, and \$0.2 million to the Department of Social Services.

Clean Water State Revolving Fund (\$222.8 million).

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 position of \$222.8 million, an increase of \$4.8 million, or 2.2% in comparison to the prior fiscal year. Total operating revenue remained constant from the prior year; however, nonoperating revenue decrease by \$5.2 million. This decrease is attributed to declines in grant income. Total operating and nonoperating expenses decrease by \$1.4 million or 14.2% from the prior year resulting in total revenues exceeding total expenses by \$4.8 million in fiscal year 2016.

Drinking Water State Revolving Fund (\$185.0 million).

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 position of \$185.0 million, an increase of \$16.3 million or 9.7% in comparison with the prior year. This increase resulted primarily from federal grant revenues increasing by \$6.3 million or 55.1%.

Budgetary Highlights - General Fund

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

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, 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 employee compensation allocations and 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 budget was a \$38.6 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 \$51.8 million worth of emergency special appropriations during fiscal year 2016 that consisted of the following:

- \$42.3 million appropriation to the Bureau of Finance and Management for costs related to paying or prepaying lease rental obligations.
- \$2.1 million appropriation to the Board of Regents to establish a postsecondary scholarship grant fund.
- \$2.0 million appropriation to the Bureau of Administration for the payment of extraordinary litigation expenses.
- \$1.3 million appropriation to the Department of Agriculture for costs related to suppression of wildfires in the state.
- \$1.0 million appropriation to the Department of Health to fund the rural residency program, to reimburse certain health professionals who have complied with the recruitment assistance program and the rural health care facility recruitment assistance program.
- \$1.0 million appropriation to the Department of Transportation for costs related to the railroad trust fund.
- \$2.1 million total appropriation to other State agencies.

The General Fund had general bill adjustments that decreased the original budget by \$13.2 million during fiscal year 2016 which consisted of the following:

- \$9.2 million decrease in appropriation to the Bureau of Finance and Management related to the employee compensation pool.
- \$3.4 million decrease in appropriation to the Department of Social Services for programs in children's services and behavioral health.
- \$2.8 million decrease in appropriation to the Department of Education for programs in state aid to general education.
- \$1.4 million total decrease in appropriations to other State agencies.
- \$1.3 million increase in appropriation to the Department of Education related to postsecondary vocational education and education resources.
- \$1.0 million increase in appropriation to the Department of Game, Fish, and Parks for programs in State Parks and Recreation.
- \$1.0 million increase in appropriation to the Department of Social Services for programs in medical and adult services.
- \$0.3 million total increase in appropriations to other State agencies.

The net effect of the emergency special appropriations and general bill adjustments resulted in a \$38.6 million increase in appropriations. Overall, there were no over-expenditures by any State departments in the General Fund. The difference between the final amended budget and actual spending was \$30.9 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, 2016 is \$4.0 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	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Land	\$ 116,084	\$ 115,637	\$ 295	295	\$ 116,379	\$ 115,932
Land Improvements	39,679	40,198	924	924	40,603	41,122
Land Improvements - Roads	618,701	613,620			618,701	613,620
Buildings	646,352	601,287	4,008	4,008	650,360	605,295
Equipment	225,662	216,108	3,689	3,623	229,351	219,731
Intangible Assets – Software	79,269	72,947	2,341	2,341	81,610	75,288
Vehicles	161,349	152,180			161,349	152,180
Infrastructure	3,855,757	3,761,358			3,855,757	3,761,358
Construction in Progress	271,693	264,784	3,797		275,490	264,784
Total Capital Assets	6,014,546	5,838,119	15,054	11,191	6,029,600	5,849,310
Accumulated Depreciation	(2,057,778)	(1,972,123)	(8,696)	(8,380)	(2,066,474)	(1,980,503)
Total Capital Assets, Net	\$3,956,768	\$3,865,996	\$ 6,358	\$ 2,811	\$3,963,126	\$3,868,807

The most significant capital asset the State reported in fiscal year 2016 is 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 \$2.3 billion (net of accumulated depreciation), which is 58.4% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2015 to 2016 by approximately 2.4%. 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 \$141.9 million for new projects and decreased by \$102.9 million for projects completed and capitalized.
- Other construction in progress as a whole decreased by \$28.3 million. This decrease was the result of projects completed and capitalized for: the Department of Veterans Affairs (\$32.7 million, net of new and ongoing projects), the Department of Public Safety (\$2.6 million, net of new and ongoing projects), the Department of Transportation (\$1.1 million, net of new and ongoing projects), the Bureau of Finance and Management (\$0.9 million, net of new and ongoing projects), and the Bureau of Administration (\$0.4 million, net of new and ongoing projects). However, several agencies had new construction for new and ongoing projects resulting in increases to construction in progress: the Department of Agriculture (\$3.8 million, net of projects completed and capitalized), the Department of Game, Fish, and Parks (\$3.2 million, net of projects completed and capitalized), the Department of Corrections (\$1.3 million, net of projects completed and capitalized), the Department of Education (\$0.6 million, net of projects completed and capitalized), the Department of Labor and Regulation (\$0.4 million, net of projects completed and capitalized), and the Attorney General's Office (\$0.2 million, net of projects completed and capitalized).
- Building and building improvements increased by \$45.1 million. New buildings included the State Veterans' Home in Hot Springs (\$40.8 million), the DOT Shop in Salem (\$1.6 million), the DPS District Office building in Rapid City (\$1.3 million), the DOT Hayes Cold Storage building (\$0.3 million), the DOT Rapid City South Yard

Abrasive Building (\$0.2 million), the DOM Building 420 at Camp Rapid (\$0.2 million), the DOT Watertown Salt Storage building (\$0.1 million), and the DOT Clear Lake Salt Storage building (\$0.1 million), the Highway Patrol Squad office in Belle Fourche (\$0.1 million), and the Highway Patrol Squad office in Sisseton (\$0.1 million). Building improvements included various DOT Maintenance Shop renovations and additions (\$2.2 million) and the DOC Pen West Farm Emergency Power System (\$0.5 million), adding Air Conditioning in the DOC Health Services Building (\$0.2 million), and the DOC Maintenance Building (\$0.2 million). There were decreases to buildings and building improvements from disposing of Building 3 at the old Veterans' Home (\$1.5 million), removing buildings no longer owned by the DOM (\$1.0 million), and the Mitchell Technical Institute Child Development Center (\$0.3 million).

- Equipment assets increased by \$9.6 million. This was mainly due to the purchase of new equipment and replacing of aged equipment by: the Department of Transportation (\$7.1 million, net of disposals), the Department of Game, Fish, and Parks (\$0.9 million, net of disposals), the Department of Social Services (\$0.4 million, net of disposals), the Department of Public Safety (\$0.3 million, net of disposals), the Department of Executive Management (\$0.3 million, net of disposals), the Department of Health (\$0.2 million, net of disposals), the Department of Corrections (\$0.1 million, net of disposals), the Department of Education (\$1.5 million, net of disposals), the Attorney General's Office (\$0.2 million, net of disposals), and the Department of Human Services (\$0.1 million, net of disposals). There were decreases in equipment mainly due to disposing of aged equipment by: the Department of Revenue (\$0.9 million, net of additions), the Department of Veterans' Affairs (\$0.5 million, net of additions), and the Department of Military (\$0.2 million, net of additions).
- Intangible assets increased by \$6.3 million, comprised of new software for the Department of Public Safety (\$1.9 million), the Department of Education (\$1.7 million), the Department of Executive Management (\$1.0 million), the Department of Health (\$0.9 million), the Attorney General's Office (\$0.4 million), and the Department of Corrections (\$0.4 million).
- Land and land improvements increased by \$5.0 million which consisted primarily of land and land improvements by the Department of Transportation (\$4.7 million, net of disposals), the Department of Game, Fish, and Parks, (\$1.7 million), the Department of Corrections (\$0.5 million), and the Department of Public Safety (\$0.4 million). There was a decrease in land and land improvements in the Department of the Military (\$2.3 million, net of additions).
- Vehicles increased by \$9.2 million which consisted of replacing aged vehicles by the Department of Transportation (\$5.6 million, net of disposals), the Department of Executive Management (\$2.9 million, net of disposals), the Department of Public Safety (\$0.6 million, net of disposals), and the Department of Game, Fish, and Parks (\$0.1 million, net of disposals).

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

Debt Administration

On May 4, 2015, the issuer credit rating (ICR) for the State of South Dakota as issued from Standard and Poor's was upgraded from AA+ to a AAA with a stable outlook. On June 16, 2016, the ICR for the State of South Dakota as issued from Fitch Rating Service was upgraded from AA+ to AAA with a stable outlook. On July 11, 2016, the ICR for the State of South Dakota as issued from Moody's Rating Service was upgraded from Aa1 to Aaa with a stable outlook.

The authority of the State to incur limited debt for specific purposes is described in Article XIII, Section 2, of the State's Constitution. The State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000. The South Dakota Building Authority (SDBA), 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.

SDBA 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 SDBA and other State departments and institutions. On June 30, 2016, the uninsured rating was Aa1 from Moody's with a stable outlook, and AA+ with a stable outlook from Standard and Poor's and AA+ with a stable outlook from Fitch. The indebtedness, bonds, or obligations incurred or created by SDBA 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.

SDBA issued no new long-term indebtedness for Governmental Activities. The South Dakota Building Authority issued \$10.9 million in revenue bonds for Higher Education.

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. 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. EEFC did not issue any refunding bonds in fiscal year 2016.

The South Dakota Conservancy District (SDCD) 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. The bonds are paid solely from CWSRF and DWSRF loan repayments. The SDCD bonds do not constitute a debt or liability of the State or a pledge of the faith and credit of the State. At June 30, 2016, the SDCD 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 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. In fiscal year 2016, SDCD did not issue any new long-term indebtedness bonds for the CWSRF or DWSRF programs under Business-type Activities.

On June 30, 2016, primary government had total notes and bonded debt outstanding as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Revenue Bonds:						
South Dakota Building Authority	\$ 39,822	\$ 43,568	\$	\$	\$ 39,822	\$ 43,568
Educational Enhancement Funding Corporation	118,025	131,196			118,025	131,196
South Dakota Conservancy District			247,852	263,817	247,852	263,817
Trust Certificates:						
South Dakota Building Authority	280	570			280	570
Capital Leases:	116,289	116,352			116,289	116,352
Total	<u>\$ 274,416</u>	<u>\$ 291,686</u>	<u>\$ 247,852</u>	<u>\$ 263,817</u>	<u>\$ 522,268</u>	<u>\$ 555,503</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 2016 and continues to expand at a moderate pace. In fiscal year 2016, nonfarm employment in the State increased 1.1%, or 4,800 jobs. The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2016. South Dakota's unemployment rate was 2.7% in June 2016, while the U.S. unemployment rate was 4.9% the same month. In calendar year 2015, the most recent annual data that is available, South Dakota's total personal income grew 4.8%, which was higher than the U.S. growth rate of 4.5% and well above the Plains' State Region growth rate of 3.1%. South Dakota's per capita personal income continues to improve compared to the national average. Over the past 10 years, South Dakota's per capita personal income has improved from 94.1% of the U.S. average in 2005 to 99.5% of the U.S. average in 2015.

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 and the South Dakota Value Added Finance Authority, issue their own separately audited financial statements. These statements may be obtained by directly contacting the Department of Legislative Audit at 427 South Chapelle, c/o 500 East Capitol, Pierre, South Dakota 57501, (605) 773-3595 or visit their website at <http://legislativeaudit.sd.gov>.

BASIC FINANCIAL STATEMENTS

The *Basic Financial Statements* include the government-wide financial statements, the governmental funds financial statements, the proprietary funds financial statements, the fiduciary funds financial statements, and the accompanying Notes to the Financial Statements. The following individual statements are included:

- Government-wide Financial Statements – Statement of Net Position
- Government-wide Financial Statements – Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- 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 Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Net Position – Fiduciary Funds
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds
- Notes to the Financial Statements

STATE OF SOUTH DAKOTA
STATEMENT OF NET POSITION
June 30, 2016
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 744,479	\$ 286,149	\$ 1,030,628
Receivables, net	427,366	438,022	865,388
Due From Component Units	880	49	929
Due From Primary Government			0
Internal Balances	4,637	(4,637)	0
Investments	993,394	176,815	1,170,209
Securities Held as Escheat Property	11,056		11,056
Inventory	25,936	2,265	28,201
Advances to Component Units	1,450	21,769	23,219
Other Assets	6,558	79	6,637
Assets Held for Resale			0
Restricted Assets:			
Cash and Cash Equivalents	2,622	21	2,643
Investments	20,015	547	20,562
Net Pension Asset	93,162	2,054	95,216
Other		633	633
Capital Assets:			
Land and Other Non-depreciable Assets	743,857	295	744,152
Infrastructure, net	2,312,928		2,312,928
Property, Plant, and Equipment, net	628,290	2,266	630,556
Construction in Progress	271,693	3,797	275,490
Total Assets	6,288,323	930,124	7,218,447
Deferred Outflows of Resources			
Deferred Outflow Related to Pensions	174,695	3,875	178,570
Deferred Swap Outflow			0
Deferred Forward Contract Outflow			0
Deferred Outflow on Debt Refunding	5,193	5,466	10,659
Total Deferred Outflows of Resources	179,888	9,341	189,229
Liabilities			
Accounts Payable and Other Liabilities	290,609	7,451	298,060
Due To Primary Government			0
Due To Component Units	3,478		3,478
Accrued Interest Payable	3,253	3,879	7,132
Unearned Revenue	58,106	1,836	59,942
Noncurrent Liabilities:			
Due Within One Year	74,890	19,009	93,899
Due In More Than One Year	330,781	231,696	562,477
Total Liabilities	761,117	263,871	1,024,988
Deferred Inflows of Resources			
Deferred Inflow Related to Pensions	138,665	3,059	141,724
Deferred Forward Contract Inflow			0
Deferred Inflow on Gain on Debt Refinancing			0
Total Deferred Inflows of Resources	138,665	3,059	141,724
Net Position			
Net Investment in Capital Assets	3,804,409	6,357	3,810,766
Restricted for:			
Education	304,073		304,073
Highways	143,677		143,677
Railroads	31,774		31,774
Law, Justice, Public Protection, and Regulation	18,171		18,171
Agriculture and Natural Resources	82,169		82,169
Game and Fish	12,372		12,372
Parks and Recreation	7,879		7,879
Health and Public Assistance	15,612		15,612
Economic Development	45,485		45,485
Debt Service	24,033	99	24,132
Capital Projects	5,842		5,842
HOME and NSP Program			0
Energy Conservation Programs	11,639		11,639
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds Held as Permanent Investments:			
Expendable	174,016		174,016
Nonexpendable	489,545		489,545
Pensions	129,192	2,870	132,062
Experiments			0
Mine Closure			0
Sanford Center for Science Education			0
Other Purposes	13,962	2,512	16,474
Unrestricted	254,579	660,697	915,276
Net Position	\$ 5,568,429	\$ 672,535	\$ 6,240,964

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

Component Units

	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$	229,587	\$ 16,393	\$ 234,302	\$ 13,833
	706,107	3,843	122,664	11,009
	2,500		978	
	637,655		369,129	1,855
	3,371	2,445	7,601	
		2,048	4,053	1,229
				4,978
			70,204	10
			132,445	5,833
	689	2,158	64,870	
			16,384	
	220	19,417	40,615	556
	5,579	46,192	877,545	22,500
		19,259	178,605	
	1,585,708	111,755	2,119,395	61,803
	1,306	4,129	122,444	
	10,135			
	340			
	878		4,949	
	12,659	4,129	127,393	0
	10,605	3,008	50,449	968
	88		840	1
	4,661		4,124	124
			10,926	1,503
	37,081	628	61,602	1,500
	1,016,373	2,603	580,631	34,473
	1,068,808	6,239	708,572	38,569
	1,044	3,185	95,717	
	1,125		17	
	2,169	3,185	95,734	0
	(525)	84,524	634,195	1,197
	441,376		2,991	5,000
	71,606			
			202,719	
			379,073	
	951	3,103	91,598	
		4,384		
		1,408		
		1,814		
	13,982	7,500		
		3,727		
			131,906	17,037
\$	527,390	\$ 106,460	\$ 1,442,482	\$ 23,234

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016
(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	\$ 198,079	\$ 236,003	\$ 7,897	\$
Education - Elementary, Secondary, and Vocational Schools	210,777	10,016	170,188	
Education - State Support to Higher Education	232,245			
Health, Human, and Social Services	1,423,411	41,741	840,629	2,784
Law, Justice, Public Protection, and Regulation	269,583	82,456	53,041	
Agriculture and Natural Resources	153,087	83,921	43,319	1,769
Economic Resources	56,138	452	6,841	
Transportation	561,536	14,755	353,756	2,492
Intergovernmental - Payments to School Districts	421,666			
Intergovernmental - Revenue Sharing	173,721			
Unallocated Interest Expense	6,627			
Unallocated Depreciation	53			
Total Governmental Activities	3,706,923	469,344	1,475,671	7,045
Business-type Activities:				
Lottery	43,454	160,728	322	
Clean Water State Revolving	8,290	6,899	6,188	
Drinking Water State Revolving	9,031	4,333	21,079	
Revolving Economic Development and Initiative	685	888	1,591	
Unemployment Insurance	27,611	37,898	2,695	
Second Injury	1,750	3,493	38	
State Fair	3,136	2,967	115	727
Federal Surplus Property	4,548	4,680	16	
Rural Rehabilitation	533	519	204	
Prison Industries	8,162	9,604	50	
Health Insurance Risk Pool	96	1	21	
Professional and Licensing	7,990	8,235	284	
Banking and Insurance	2,801	4,331	127	
Other	3,070	2,838	42	
Total Business-type Activities	121,157	247,414	32,772	727
Total Primary Government	\$ 3,828,080	\$ 716,758	\$ 1,508,443	\$ 7,772
Component Units:				
Housing Authority	\$ 75,259	\$ 73,466	\$ 27,698	\$
Science and Technology Authority	37,222	320	26,889	2,283
Higher Education	720,199	422,371	148,036	23,409
Nonmajor	6,497	3,826	783	11,522
Total Component Units	\$ 839,177	\$ 499,983	\$ 203,406	\$ 37,214

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 Position

Net Position at Beginning of Year, as restated

Net Position at End of Year

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

Net (Expenses) Revenue and Changes in Net Position

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 45,821	\$	\$ 45,821				
(30,573)		(30,573)				
(232,245)		(232,245)				
(538,257)		(538,257)				
(134,086)		(134,086)				
(24,078)		(24,078)				
(48,845)		(48,845)				
(190,533)		(190,533)				
(421,666)		(421,666)				
(173,721)		(173,721)				
(6,627)		(6,627)				
(53)		(53)				
(1,754,863)	0	(1,754,863)				
	117,596	117,596				
	4,797	4,797				
	16,381	16,381				
	1,794	1,794				
	12,982	12,982				
	1,781	1,781				
	673	673				
	148	148				
	190	190				
	1,492	1,492				
	(74)	(74)				
	529	529				
	1,657	1,657				
	(190)	(190)				
0	159,756	159,756				
(1,754,863)	159,756	(1,595,107)				
			\$ 25,905	\$	\$	\$
				(7,730)		
					(126,383)	
			25,905	(7,730)	(126,383)	9,634
						9,634
905,475		905,475				
184,105		184,105				
104,979		104,979				
25,943		25,943				
360,917		360,917				
14,997		14,997		337	(1,077)	107
		0			232,245	
2,057		2,057				
88,463		88,463				
		0			7,119	
120,602	(120,602)	0				
1,807,538	(120,602)	1,686,936	0	337	238,287	107
52,675	39,154	91,829	25,905	(7,393)	111,904	9,741
5,515,754	633,381	6,149,135	501,485	113,853	1,330,578	13,493
\$ 5,568,429	\$ 672,535	\$ 6,240,964	\$ 527,390	\$ 106,460	\$ 1,442,482	\$ 23,234

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016
(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	\$ 242,238	\$ 111,441	\$	\$ 53	\$ 489	\$ 316,677	\$ 670,898
Restricted Cash	2,619					3	2,622
Investments				294,806	507,849	190,739	993,394
Restricted Investments						20,015	20,015
Securities Held as Escheat Property	11,056						11,056
Receivables from:							
Taxes, net	126,324	17,847				3,330	147,501
Interest and Dividends	1,550	314	2	599	1,293	1,382	5,140
Other Funds	48,250	2,374	12			4,615	55,251
Component Units	39					29	68
Other Governments	1,141	51,342	28,908			81,649	163,040
Loans and Notes, net		1,570				50,656	52,226
Other, net	17,647	401	18,389	167	139	20,216	56,959
Inventory	2,710	19,181	45			2,323	24,259
Advances to Component Units						1,450	1,450
Other Assets	1,483	243	72			1,177	2,975
Total Assets	\$ 455,057	\$ 204,713	\$ 47,428	\$ 295,625	\$ 509,770	\$ 694,261	\$ 2,206,854
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	\$ 93,288	\$ 41,821	\$ 37,494	\$ 1,053	\$ 1,824	\$ 42,132	\$ 217,612
Payable to:							
Other Funds	4,739	1,349	8,595		18,243	24,711	57,637
Component Units	2,726	118	17			577	3,438
Other Governments	14,031	4,524	138			61,702	80,395
Claims, Judgments, and Compensated Absences	109	25	26			67	227
Unearned Revenue	29,481	2,021	39			13,606	45,147
Total Liabilities	144,374	49,858	46,309	1,053	20,067	142,795	404,456
Deferred Inflows of Resources:							
Unavailable Revenue	1,141	1				19,730	20,872
Total Deferred Inflows of Resources	1,141	1	0	0	0	19,730	20,872
Fund Balances:							
Nonspendable	4,193	19,424	116		358,321	134,664	516,718
Restricted	8,384	135,430		294,572	131,382	332,449	902,217
Committed						43,652	43,652
Assigned	54,516		1,003			26,019	81,538
Unassigned	242,449					(5,048)	237,401
Total Fund Balances	309,542	154,854	1,119	294,572	489,703	531,736	1,781,526
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 455,057	\$ 204,713	\$ 47,428	\$ 295,625	\$ 509,770	\$ 694,261	\$ 2,206,854

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 POSITION
June 30, 2016
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds **\$ 1,781,526**

Amounts reported for governmental activities in the Statement of Net Position 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	\$ 1,015,250	
Infrastructure	3,855,757	
Other Capital Assets	1,036,688	
Accumulated Depreciation	<u>(1,985,283)</u>	
Total Capital Assets		3,922,412

Net pension asset used in governmental activities is not a financial resource and is therefore not reported in the governmental funds. 86,574

Deferred outflows of resources are not reported in the governmental funds:

Related to Pension	162,281	
Related to Debt Refunding	<u>5,193</u>	
Total Deferred Outflows of Resources		167,474

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 Position. 47,103

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	(158,126)	
Accrued Interest on Bonds	(3,253)	
Capital Leases	(98,870)	
Compensated Absences	(53,989)	
Pollution Remediation	<u>(14,433)</u>	
Total Long-Term Liabilities		(328,671)

Deferred inflows of resources are not reported in the governmental funds:

Revenues not available soon enough after year-end to pay for the current period's expenditures	20,872	
Related to Pensions	<u>(128,861)</u>	
Total Deferred Inflows of Resources		<u>(107,989)</u>

Net Position of Governmental Activities **\$ 5,568,429**

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, 2016
(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	\$ 1,196,805	\$ 284,863	\$	\$	\$	\$ 99,017	\$ 1,580,685
Licenses, Permits, and Fees	10,165	12,060				279,931	302,156
Fines, Forfeits, and Penalties	366					12,281	12,647
Use of Money and Property	10,788	2,495	17	1,285	1,035	11,958	27,578
Sales and Services	19,737	415				19,645	39,797
Administering Programs	20	353,261	661,840			448,909	1,464,030
Tobacco Settlement						24,582	24,582
Other Revenue	67,292	1,043	6,792		1,400	11,347	87,874
Total Revenue	1,305,173	654,137	668,649	1,285	2,435	907,670	3,539,349
Expenditures:							
Current:							
General Government	54,597			672	1,286	43,319	99,874
Education	28,778					176,383	205,161
Education - Payments to School Districts	421,666						421,666
Education - State Support to Higher Education	232,245						232,245
Health, Human, and Social Services	547,396		668,663			212,200	1,428,259
Law, Justice, Public Protection, and Regulation	150,833	19,063				98,922	268,818
Agriculture and Natural Resources	18,314					136,692	155,006
Economic Resources	23,818					32,384	56,202
Transportation		635,801				19,951	655,752
State Shared Revenue Paid to Other Governments	36,335					137,386	173,721
Capital Outlay						1,017	1,017
Debt Service:							
Principal						16,415	16,415
Interest						9,177	9,177
Bond Issuance Costs						6	6
Total Expenditures	1,513,982	654,864	668,663	672	1,286	883,852	3,723,319
Excess of Revenues Over (Under) Expenditures	(208,809)	(727)	(14)	613	1,149	23,818	(183,970)
Other Financing Sources (Uses):							
Insurance Proceeds		85					85
Proceeds from Sale of Capital Assets	188	1,638	3			307	2,136
Transfers In	218,096	6,912			9,668	39,922	274,598
Transfers Out	(18,073)	(4,333)	(249)	(11,436)	(18,243)	(103,063)	(155,397)
Net Other Financing Sources (Uses)	200,211	4,302	(246)	(11,436)	(8,575)	(62,834)	121,422
Net Change in Fund Balances	(8,598)	3,575	(260)	(10,823)	(7,426)	(39,016)	(62,548)
Fund Balances at Beginning of Year	318,140	151,279	1,379	305,395	497,129	570,752	1,844,074
Fund Balances at End of Year	\$ 309,542	\$ 154,854	\$ 1,119	\$ 294,572	\$ 489,703	\$ 531,736	\$ 1,781,526

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, 2016
(Expressed in Thousands)**

Net Change in Fund Balances - Governmental Funds **\$ (62,548)**

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	\$ 198,127	
Depreciation Expense	(103,420)	
Excess of Capital Outlay Over Depreciation Expense		94,707

The net effect of various miscellaneous transactions involving capital assets, including sales, donations, and trade-ins, is to decrease net position. (4,412)

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 Position. In the current year, these amounts consist of:

Bond Principal Retirement	16,415	
Capital Lease Payments	2,071	
Total Long-Term Debt Repayment		18,486

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. (14,639)

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. 5,223

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

Bond Refunding Costs	(55)	
Bond Premium	376	
Total Amounts Related to Bond Issuance		321

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	2,726	
(Increase) Decrease in Compensated Absences	(1,578)	
(Increase) Decrease in Net Pension Costs	13,836	
(Increase) Decrease in Pollution Remediation	553	
Total Additional Expenditures		15,537

Change in Net Position of Governmental Activities **\$ 52,675**

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

STATE OF SOUTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016
(Expressed in Thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities
	Lottery	Major		Nonmajor	Total	Internal Service Funds
		Clean Water State Revolving	Drinking Water State Revolving			
Current Assets:						
Cash and Cash Equivalents	\$ 9,495	\$ 41,065	\$ 29,818	\$ 205,771	\$ 286,149	\$ 73,581
Receivables:						
Interest and Dividends	42	2,633	2,044	589	5,308	231
Other Funds				1,934	1,934	8,472
Component Units				49	49	812
Other Governments		376	451	385	1,212	111
Loans and Notes, net		20,771	10,042	5,330	36,143	
Other, net	4,580			1,619	6,199	1,914
Investments		25,779	7,470		33,249	
Inventory				2,265	2,265	562
Advances to Component Units		963			963	
Other Assets	16			63	79	3,583
Total Current Assets	14,133	91,587	49,825	218,005	373,550	89,266
Restricted Assets:						
Restricted Cash	18	3			21	
Restricted Investments	452	95			547	
Net Pension Asset	320	62	51	1,621	2,054	6,588
Other	633				633	
Investments		86,137	57,429		143,566	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant, and Equipment	4,285			6,678	10,963	106,550
Accumulated Depreciation	(3,448)			(5,249)	(8,697)	(72,494)
Construction in Progress				3,797	3,797	300
Total Capital Assets	837	0	0	5,521	6,358	34,356
Advances to Component Units		20,806			20,806	
Other Noncurrent Assets		206,985	142,786	39,362	389,133	
Total Assets	16,393	405,675	250,091	264,509	936,668	130,210
Deferred Outflows of Resources						
Deferred Outflow Related to Pensions	600	115	97	3,063	3,875	12,414
Deferred Amount from Refunding of Bonds		3,216	2,250		5,466	
Total Deferred Outflows of Resources	600	3,331	2,347	3,063	9,341	12,414
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,511	237	1,370	4,424	8,542	6,104
Payable to:						
Other Funds	6,328	1	1	225	6,555	1,308
Component Units					0	40
Escrow Payable	64				64	
Bonds, Notes, and Leases Payable		10,848	6,093		16,941	4,542
Claims, Judgments, and Compensated Absences	190	36	28	648	902	21,080
Accrued Interest Payable		2,944	935		3,879	
Unearned Revenue	264			1,572	1,836	11,844
Total Current Liabilities	9,357	14,066	8,427	6,869	38,719	44,918
Noncurrent Liabilities:						
Bonds, Notes, and Leases Payable		171,978	58,933		230,911	12,878
Claims, Judgments, and Compensated Absences	165	32	25	563	785	27,876
Other Noncurrent Liabilities					0	45
Total Noncurrent Liabilities	165	172,010	58,958	563	231,696	40,799
Total Liabilities	9,522	186,076	67,385	7,432	270,415	85,717
Deferred Inflows of Resources						
Deferred Inflow Related to Pensions	476	92	77	2,414	3,059	9,804
Total Deferred Inflows of Resources	476	92	77	2,414	3,059	9,804
Net Position						
Net Investment in Capital Assets	837			5,520	6,357	16,936
Restricted for:						
Debt Service		99			99	
Pensions	444	85	71	2,270	2,870	9,198
Other	633			1,879	2,512	
Unrestricted	5,081	222,654	184,905	248,057	660,697	20,969
Total Net Position	\$ 6,995	\$ 222,838	\$ 184,976	\$ 257,726	\$ 672,535	\$ 47,103

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

**STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major				Total	Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		
Operating Revenue:						
Licenses, Permits, and Fees	\$ 1,520	\$	\$	\$ 14,150	\$ 15,670	\$
Use of Money and Property		5,488	3,434	1,672	10,594	9
Sales and Services	159,094	1,411	899	17,637	179,041	208,591
Administering Programs				112	112	
Assessments				41,391	41,391	
Other Revenue				587	587	4,550
Total Operating Revenue	160,614	6,899	4,333	75,549	247,395	213,150
Operating Expenses:						
Personal Services and Benefits	1,770	318	294	10,147	12,529	38,137
Travel	136	9	8	967	1,120	757
Contractual Services	8,711	421	555	7,890	17,577	53,154
Supplies and Materials	816	1	2	11,312	12,131	13,748
Grant and Other	64	917	5,297	288	6,566	2
Interest		6,490	2,350		8,840	342
Depreciation/Amortization	237			131	368	7,633
Lottery Prizes	31,717				31,717	
Insurance Claims				29,384	29,384	117,700
Total Operating Expenses	43,451	8,156	8,506	60,119	120,232	231,473
Operating Income (Loss)	117,163	(1,257)	(4,173)	15,430	127,163	(18,323)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	471
Loss on Disposal of Assets					0	(66)
Interest Income	322	4,194	3,106	4,905	12,527	1,749
Other Expense	(3)	(134)	(525)	(263)	(925)	(16)
Grant and Other Income	114	1,994	17,973	183	20,264	14
Total Nonoperating Revenue (Expenses)	433	6,054	20,554	4,825	31,866	2,152
Income (Loss) Before Capital Contributions and Transfers	117,596	4,797	16,381	20,255	159,029	(16,171)
Capital Contributions and Transfers:						
Capital Contributions				727	727	131
Transfers In				3,345	3,345	1,401
Transfers Out	(117,653)	(40)	(36)	(6,218)	(123,947)	
Net Capital Contributions and Transfers	(117,653)	(40)	(36)	(2,146)	(119,875)	1,532
Change in Net Position	(57)	4,757	16,345	18,109	39,154	(14,639)
Net Position at Beginning of Year	7,052	218,081	168,631	239,617	633,381	61,742
Net Position at End of Year	\$ 6,995	\$ 222,838	\$ 184,976	\$ 257,726	\$ 672,535	\$ 47,103

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, 2016
(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	\$ 161,142	\$ 1,422	\$ 862	\$ 63,114	\$ 226,540	\$ 79,647
Receipts from Interfund Services Provided				11,023	11,023	129,547
Receipts from Federal Agencies				165	165	
Receipts from Loan Payments		28,665	17,639	12,703	59,007	
Payments to Suppliers and for Benefits and Claims	(8,642)	(978)	(595)	(50,004)	(60,219)	(178,729)
Payments for Employee Services	(1,805)	(336)	(300)	(10,280)	(12,721)	(39,017)
Payments for Interfund Services Used	(924)			(3,221)	(4,145)	(8,970)
Payments for Lottery Prizes	(32,009)				(32,009)	
Payments for Principal Forgiveness		(366)	(5,235)		(5,601)	
Payments for Loans Originated		(16,374)	(24,202)	(16,821)	(57,397)	
Other Receipts (Payments)	66	(10)	(10)	269	315	4,683
Net Cash Provided (Used) by Operating Activities	117,828	12,023	(11,841)	6,948	124,958	(12,839)
Cash Flows From Capital and Related Financing Activities:						
Capital Contributions				727	727	
Purchases of Capital Assets	(14)			(105)	(119)	(2,176)
Construction in Progress				(3,289)	(3,289)	(314)
Sales of Capital Assets					0	926
Payments on Capital Lease Obligations					0	(4,484)
Net Cash Provided (Used) by Capital and Related Financing Activities	(14)	0	0	(2,667)	(2,681)	(6,048)
Cash Flows From Noncapital Financing Activities:						
Transfers In				3,846	3,846	1,402
Transfers Out	(117,394)	(40)	(36)	(6,227)	(123,697)	(1)
Principal Payments on Bonds and Notes		(9,290)	(5,535)		(14,825)	
Interest Payments on Bonds and Notes		(7,187)	(2,307)		(9,494)	
Receipts for Administering Program		1,560	17,759		19,319	
Other Noncapital Financing Activities		430	209	(73)	566	15
Net Cash Provided (Used) by Noncapital Financing Activities	(117,394)	(14,527)	10,090	(2,454)	(124,285)	1,416
Cash Flows From Investing Activities:						
Arbitrage Payment		(539)	(47)		(586)	
Investment Income	319	4,219	3,067	4,889	12,494	1,721
Investment Expense	(3)	(2)	(2)	(20)	(27)	(16)
Purchase of Investment Securities		(16,120)	(11,187)		(27,307)	
Proceeds from the Sale and Maturity of Investments		26,410	19,482		45,892	
Net Cash Provided (Used) by Investing Activities	316	13,968	11,313	4,869	30,466	1,705
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	736	11,464	9,562	6,696	28,458	(15,766)
Cash and Cash Equivalents at Beginning of Year	8,777	29,604	20,256	199,075	257,712	89,347
Cash and Cash Equivalents at End of Year	\$ 9,513	\$ 41,068	\$ 29,818	\$ 205,771	\$ 286,170	\$ 73,581

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2016
(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)	\$ 117,163	\$ (1,257)	\$ (4,173)	\$ 15,430	\$ 127,163	\$ (18,323)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	237			131	368	7,633
Bad Debt Expense				77	77	
Interest Expense		6,490	2,350		8,840	373
Miscellaneous Nonoperating Items	114			(54)	60	
Decrease/(Increase) in Assets:						
Accounts Receivable	268			133	401	(758)
Interest, Dividends & Penalties Receivable		33	(168)	(219)	(354)	
Loans and Notes Receivable		6,770	(9,829)	(4,933)	(7,992)	
Due From Other Funds				(1,240)	(1,240)	(175)
Due From Component Units				(15)	(15)	30
Due From Other Governments		12	(37)	(131)	(156)	(16)
Inventory				286	286	12
Other Assets				96	96	(608)
Other Restricted Assets	73				73	
Restricted Net Pension Asset	224	31	26	1,142	1,423	4,254
Decrease/(Increase) in Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	(117)	(30)	(27)	(604)	(778)	(2,716)
Increase/(Decrease) in Liabilities:						
Accounts Payable	33	(7)	23	(2,239)	(2,190)	257
Accrued Liabilities	11	(2)	(1)	55	63	54
Compensated Absences Payable		(1)	8	61	68	177
Due To Other Funds	25			(117)	(92)	(30)
Due To Component Units					0	6
Due To Other Governments	(22)			3	(19)	(79)
Unearned Revenue	(8)			(68)	(76)	810
Escrow Payable	(5)				(5)	
Policy Claim Liabilities				(71)	(71)	(988)
Other Liabilities	(15)			10	(5)	
Increase/(Decrease) in Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	(153)	(16)	(13)	(785)	(967)	(2,752)
Net Cash Provided (Used) by Operating Activities	\$ 117,828	\$ 12,023	\$ (11,841)	\$ 6,948	\$ 124,958	\$ (12,839)
Noncash Investing, Capital, and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$	\$	\$ 405
Capital Lease Obligations Entered Into						6,119
Transfers In (Out) of Fixed Assets						131

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

STATE OF SOUTH DAKOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016
(Expressed in Thousands)

	South Dakota Retirement System Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	\$ 6,916	\$ 2,494	\$ 43,416
Receivables:			
Employer	2,485		
Employee	2,643		
Benefits	35		
Unsettled Investment Sales	19,611		
Taxes Receivable			41,433
Due From Other Funds		114	
Due From Other Governments			13
Investment Income	31,517	436	6
Other		193	395
Total Receivables	56,291	743	41,847
Investments, at Fair Value:			
Fixed Income	3,248,165		
Equities	5,311,369		
Real Estate	1,225,617		
Private Equity	709,610		
Pooled Investment Funds		212,813	
Total Investments	10,494,761	212,813	0
Properties, at cost	22	14,016	
Accumulated Depreciation	(13)		
Computer Software Development in Progress	1,779		
Other Assets	14	14	
Total Assets	10,559,770	230,080	\$ 85,263
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	1,715	848	\$ 10,818
Due To Other Funds	86	185	
Due To Other Governments			74,445
Compensated Absences Payable	322		
Due To Brokers - Futures Transactions	17,498		
Unsettled Investment Purchases	26,686		
Total Liabilities	46,307	1,033	\$ 85,263
Net Position			
Restricted for Pension Benefits	10,513,463		
Restricted for Individuals and Other Governments		229,047	
Total Net Position	\$ 10,513,463	\$ 229,047	

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

**STATE OF SOUTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

Additions	South Dakota Retirement System Pension Trust Fund	Private Purpose Trust Funds
Contributions:		
Employee	\$ 114,443	\$
Employer	114,090	
From Clients and Inmates		7,909
Other		6,292
Total Contributions	228,533	14,201
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	(209,984)	(4,726)
Interest	108,298	
Dividends	100,483	
Real Estate	54,192	812
Pooled Interest and Dividends		3,700
Total Investment Activity Income	52,989	(214)
Less Investment Activity Expenses	(32,818)	
Net Investment Income (Loss)	20,171	(214)
<i>From Security Lending Activities</i>		
Securities Lending Income	3,511	40
Securities Lending Expenses	(845)	
Escheated Property		3
Miscellaneous Income		614
Total Additions	251,370	14,644
Deductions		
Benefits	487,053	
Refunds of Contributions	23,443	
Distribution to School Districts		10,228
Payments Made for Trust Purposes		8,662
Administrative Expenses	3,945	4
Total Deductions	514,441	18,894
Change in Net Position	(263,071)	(4,250)
Net Position at Beginning of Year	10,776,534	233,297
Net Position at End of Year	\$ 10,513,463	\$ 229,047

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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). GAAP allows for and requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

B. Reporting Entity

For financial reporting purposes, the State of South Dakota (the State) 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. A component unit is blended if: (1) services are provided, or almost entirely provided, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government; (2) the governing body is substantively the same as the governing board of the primary government; or (3) the component unit's total debt outstanding is expected to be repaid entirely, or almost entirely, by the primary government.

The State's blended component units are:

The South Dakota Building Authority (SDBA) was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The purpose of the SDBA is to build and otherwise provide certain facilities for use by the State. Amounts issued by the SDBA shall not be deemed to constitute a debt of the State of South Dakota or any political subdivision thereof. SDBA is authorized to issue revenue bonds, notes, or other obligations on behalf of state institutions for the purpose of constructing, equipping and improving facilities, or refinancing of outstanding debt. SDBA is comprised of a seven member board that is appointed by the Governor, with the advice and consent of the Senate. No person shall be appointed to SDBA who is an elected official of the State of South Dakota or any subdivision thereof. One of the members shall be designated by the Governor as chairman. The indebtedness or obligations incurred or created by SDBA may not be or become a lien, charge, or liability against the State of South Dakota. Because the State of South Dakota is able to impose its will over SDBA and the services provided by SDBA are almost entirely provided to the State of South Dakota, SDBA is considered a blended component unit. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Conservancy District (SDCD) was created by the Legislature under Chapter 46A-2 of the South Dakota Codified Law as a body politic and corporate for the purpose of constructing water resource facilities for the conservation, storage, distribution, and utilization of water for multiple purposes within the State of South Dakota. SDCCD has two funds: the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. The Clean Water State Revolving Fund is a low interest loan program used to finance the construction of wastewater facilities, storm sewers, and non-point source pollution control projects. The Drinking Water State Revolving Fund is a low interest loan program used to finance drinking water projects. SDCCD 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. Because the State of South Dakota is able to impose its will over SDCCD and the governing body is substantively the same as the governing body of the primary government, SDCCD is considered a blended component of the primary government. This financial presentation does not change the legal liability of the indebtedness.

The Educational Enhancement Funding Corporation (EEFC) is a special purpose corporation, organized under Chapter 5-12 of the South Dakota Codified Law. EEFC was established to purchase all of the State of South Dakota's future right, 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. Obligations issued by EEFC shall not be deemed to constitute a debt or liability or obligation of the State. Because there is a financial benefit/burden relationship between EEFC and the State of South Dakota and the services provided by the EEFC are entirely provided to the State of South Dakota, EEFC is considered a blended component unit. This financial presentation does not change the legal liability of the indebtedness.

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:

The South Dakota Housing Development Authority (HDA) was created by the Legislature under Chapter 11-11 of the South Dakota Codified Law for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the State of South Dakota. HDA issues negotiable notes and bonds. If an issue utilizes private activity bond cap, authorization is needed by the Governor of South Dakota. Notes and bonds of HDA 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 HDA. Because the State of South Dakota is able to impose its will over HDA, but does not meet any of the GASB's criteria for blending, HDA is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Science and Technology Authority (STA) was created by the Legislature under Chapter 1-16H of the South Dakota Codified Law to foster and facilitate science and technology investigation, experimentation, and development. The initial focus of STA was to support the transfer of the Homestake Gold Mine in Lead, South Dakota for development by the research community to become the world's premier underground Science and Engineering Laboratory. Past history has established a pattern of the State of South Dakota assuming the obligation to finance STA which creates a financial benefit/burden relationship, but does not meet any of GASB's criteria for blending, STA is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

Higher Education (Higher Ed) consists of six state public universities (Black Hills State University, Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and University of South Dakota, two special schools (South Dakota School for the Deaf, and South Dakota School for the Blind and Visually Impaired), and the governing board, South Dakota Board of Regents (BOR). BOR was created under Article XIV of the Constitution of the State of South Dakota. Chapter 13-49 of the South Dakota Codified Law establishes the authority for BOR to govern the system of public higher education in the State of South Dakota. The system's primary goal is to provide high quality, diverse educational opportunities, and services to the people of South Dakota through the effective use of the resources entrusted to it. Because the State of South Dakota is able to impose its will over the Higher Ed system and BOR and a financial benefit/burden relationship exists but does not meet the GASB's criteria for blending, Higher Ed is considered a discretely presented component unit of the State.

Included in the balances and operating results for Higher Ed are six foundations that contribute financially to the six state public universities through fund raising. The foundations include Black Hills State University Foundation, Dakota State University Foundation, Northern State University Foundation, South Dakota School of Mines and Technology Foundation, South Dakota State University Foundation, and University of South Dakota Foundation. The universities do not control the timing or amount of receipts from their foundations. However, a majority of resources or income the foundations hold and invest are restricted by the donors for activities of the respective universities. These restricted resources held by the foundations can only be used

by, or for the benefit of the specific universities; therefore, the foundations are considered component units of the universities and are included in Higher Ed.

Black Hills State University Foundation, South Dakota State University Foundation, and University of South Dakota Foundation have fiscal year ends of December 31. University of South Dakota Foundation switched to a calendar year-end for the year ended December 31, 2015, and only six months of activity is included.

The foundations are private not-for-profit entities that report under Financial Accounting Standards Board (FASB) pronouncements. As such, certain revenue recognition criteria and presentation features are different from that of the Governmental Accounting Standards Board (GASB). The foundations' financial statements have been restated to reflect GASB pronouncements. The foundations' notes to the financial statements have not been restated to reflect GASB pronouncements and thus are not reported in the notes to the financial statements of the primary government.

The State's nonmajor discretely presented component units are:

The South Dakota Economic Development Finance Authority (EDFA) was created by the Legislature under Chapter 01-16B of the South Dakota Codified Law for the purpose of making loans to businesses to spawn economic growth. Obligations issued by EDFA shall not be deemed to constitute a debt or liability or obligation of the State. Because the State of South Dakota is able to impose its will over EDFA but does not meet the GASB's criteria for blending, EDFA is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Value Added Finance Authority (VAFA) was created by the Legislature under Chapter 1-16E of the South Dakota Codified Law for the purpose of administering the beginning farmer bond and agribusiness bonding programs and making annual recommendations to the Legislature and Governor on programs to develop and promote agricultural processing activity in the State of South Dakota. The principal and interest on the bonds do not constitute an indebtedness of the State of South Dakota. Because the State of South Dakota is able to impose its will over VAFA but does not meet the GASB's criteria for blending, VAFA is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Ellsworth Development Authority (EDA) was established by the Legislature under Chapter 01-16J of the South Dakota Codified Law for the purpose of protecting and promoting the economic impact of Ellsworth Air Force Base and associated industry. Payments of the principal of, or interest on, the bonds, notes, instruments, or obligations issued by EDA shall not be deemed to constitute a debt or liability or obligation of the State. Because the State of South Dakota is able to impose its will over EDA but does not meet the GASB's criteria for blending, EDA is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

The South Dakota Authority Captive Insurance Company, LLC (The Authority Captive), a nonprofit limited liability company, was established August 12, 2015, to cover some of the liability risks of six authorities of the State (South Dakota Science and Technology Authority, South Dakota Building Authority, South Dakota Health and Educational Facilities Authority, Educational Enhancement Funding Corporation, South Dakota Ellsworth Development Authority, and South Dakota Housing Development Authority). The Authority Captive's coverage includes: commercial general liability, directors, officers and entity coverage, employment practices liability, and errors and omissions. The obligations of The Authority Captive shall not be deemed to constitute a debt, liability, or obligation of the State. Because the State of South Dakota is able to impose its will over The Authority Captive, but does not meet the GASB's criteria for blending, The Authority Captive is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness. The Authority Captive has a fiscal year end of December 31.

The South Dakota Property and Casualty Captive Insurance Company, LLC (The Property Captive), a nonprofit limited liability company, was established September 14, 2015, to provide property, including content, business income, and extra expense coverage on the State's buildings, including Higher Education buildings. Because the State of South Dakota is able to impose its will over The Property Captive and a financial benefit/burden relationship exists, but does not meet the GASB's criteria for blending, The Property Captive is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness. The Property Captive has a fiscal year end of December 31.

Related Organizations

The South Dakota Health and Educational Facilities Authority (HEFA) is a body politic, corporate, and public instrumentality of the State of South Dakota. The HEFA was created in 1972 to enhance the health and education of citizens of the State of South Dakota by providing healthcare, educational, and other non-profit institutions access to low cost capital. The State's accountability does not extend beyond appointing a voting majority of HEFA's board members. This relationship does not meet the GASB criteria of a component unit; therefore, HEFA is not included as part of the primary government reporting entity.

Separately Issued Financial Statements

Separately issued financial statements for

- South Dakota Building Authority
- South Dakota Conservancy District
- Educational Enhancement Funding Corporation
- South Dakota Housing Development Authority
- South Dakota Science and Technology Authority
- South Dakota Economic Development Finance Authority
- South Dakota Ellsworth Development Authority
- South Dakota Authority Captive Insurance Company
- South Dakota Property and Casualty Captive Insurance Company
- South Dakota Health and Educational Facilities Authority

are available from the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, by calling (605) 773-3595, or online at http://legislativeaudit.sd.gov/Reports/State/state_reports_all.htm.

Higher Education and South Dakota Value Added Finance Authority do not have separately issued financial statements.

C. Government-wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and Statement of Activities. The Statement of Net Position 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 Position presents the reporting entity's nonfiduciary assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position.

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 within 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 Position 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. At June 30, 2016, there was \$25,795,248 of bank tax receipts that were not recognizable in the State's financial statements because a reasonable estimate was unable to be determined for how much is considered measurable. 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, 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. Bank taxes are considered measurable when returns are filed, not when payments are received. 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 the accrual basis of 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.

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 which is invested by The South Dakota Investment Council. Transfers from this fund are made to the General Fund for the support of education in South Dakota.

The Education Enhancement Trust Fund primarily 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 or committed 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 or committed 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 and fiduciary funds, or component units.

The Permanent Fund administered by South Dakota 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 include 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.

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 bill, special appropriations bills, 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 from 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, 2016, totaled \$29,880,850. The encumbrance amount is broken down by major fund and nonmajor fund below:

<u>Fund</u>	<u>Amount Encumbered</u>
Major Fund:	
General Fund	\$ 5,420,939
Transportation	9,436,478
Nonmajor:	
Nonmajor Total	15,023,433
Total	<u><u>\$29,880,850</u></u>

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents and Investments

Cash includes cash on hand and demand deposits. Cash equivalents include non-negotiable certificates of deposit, which are reported at cost. The State Investment Officer is responsible for the investment of state public funds. State public funds are invested using the pooled deposit and investment concept which preserves the integrity of the fund cash balances of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund monies. 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 investments not considered cash equivalents. Investments include corporate stocks, bonds, convertible debt, U.S. government and agency securities, mortgage backed securities, negotiable certificates of deposit, repurchase agreements, annuity contracts, investment contracts, international securities, private equity and real estate. Investments are reported at fair value, in accordance with GASB Statement No. 72 – Fair Value Measurement and Application. (See Note 3 Cash, Deposits, and Investments for additional information)

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains or losses are included with the net appreciation in fair value of investments.

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of net position as of June 30, 2016. Actual results could differ from those estimates.

For more detailed information please see Note 3 Cash, Deposits, and Investments.

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. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by unearned revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2016, the commodities inventory was reported in the amount of \$1,114,538.

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 asset 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 asset's 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. 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 \$8,830,216 and \$375,585 respectively, as of June 30, 2016. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the government that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental, business-type activities, or in the component units columns on the government-wide Statement of Net Position. Deferred outflows of resources of governmental funds, proprietary funds, and component units are reported in detail in their respective fund statements.

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 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.

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s), and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental, business-type activities, or in the component units columns on the government-wide Statement of Net Position. Deferred inflows of resources of governmental funds, proprietary funds, and component units are reported in detail in their respective fund statements.

Net Position and Fund Balances

“Net position” on the government-wide, proprietary, and fiduciary funds financial statements and “fund balance” on the Governmental Fund Financial Statements consists of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported in three categories:

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

Restricted net position 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.

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

The State’s policy is that unrestricted 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 the 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 does not use separate funds to segregate restricted, committed, and assigned resources. It instead uses the accounting structure to track sources of resources. The State's policy is that assigned amounts are spent first, then committed, restricted, and finally unassigned when expenditures are incurred for purposes of which multiple resources are available within the accounting structure.

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, 2016, the amount of certificate of deposits and deposits in cash being held by the Lottery was \$468,781 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,115,700 was in the form of surety bonds or irrevocable letters of credit and is not reported on the Statement of Net Position.

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 and interfund receivables and payables have been eliminated from the Statement of Net Position.

J. Pensions

For the purposes of measuring the net pension asset, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deductions from SDRS fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Implementation of Recent GASB Pronouncements

For the fiscal year ended June 30, 2016, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement 72, Fair Value Measurement and Application

GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

GASB Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB Statement 79, Certain External Investment Pools and Pool Participants

GASB Statement 72. This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities that are measured at fair value. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This Statement effects how the State reports certain assets, liabilities, and note disclosures.

GASB Statement 73. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local government employers and are not within the scope of Statement 68. This Statement has no effect on the State of South Dakota.

GASB Statement 76. This Statement establishes the hierarchy of GAAP for state and local governments. This Statement has no effect on the financial statements for the State of South Dakota.

GASB Statement 79. This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure, for financial reporting purposes, all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures, for financial reporting purposes, all of its investments at amortized cost. This Statement has no effect on the financial statements for the State of South Dakota.

Restatements – Component Units

The beginning net position balance reported for Higher Education, reported as a major discretely presented component unit, increased by \$664,830 for errors in the reporting of receivables, liabilities, fixed assets, and other miscellaneous reporting errors in prior years. This restatement will have the same effect on the government-wide 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 \$18,997,969 for deficit cash balances that existed in various state funds at June 30, 2016, 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.

Securities that are unclaimed at financial institutions are transferred to the State and held temporarily by the State until they are determined abandoned. The securities or proceeds can be claimed by the owners under established procedures. The Office of the State Treasurer administers any unclaimed securities per SDCL §43-41B, Uniform Unclaimed Property Act. Any unclaimed property, including any income or increment derived therefrom, is considered abandoned after remaining unclaimed by the owner for more than three years. Once determined abandoned, the State Treasurer has the authority to either keep the security or liquidate it anytime thereafter. As of June 30, 2016, the securities, for which cost at the time of acquisition is not readily available, have a market value of \$11,055,822, and are shown as securities held as escheat property in the General Fund.

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 76% of the Cash Flow Portfolio) and discretely presented component units (comprising 24% of the Cash Flow Portfolio). Higher Education, the Science and Technology Authority and the Housing 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 Portfolio. This category represents the investments of the South Dakota Retirement System. 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 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. The Cash Flow Portfolio's certificates of deposit and other deposits in state financial institutions 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, 2016, 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 were exposed to custodial credit risk.

The Retirement Portfolio has a formal deposit policy specific to custodial credit risk. The policy states that the United States Dollar (USD) equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date +7 days basis. At June 30, 2016, the Retirement Portfolio 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 Portfolio was exposed to custodial credit risk of \$3,173,427.

The Trust Portfolios have a formal deposit policy specific to custodial credit risk. The policy states that the USD equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date +7 days basis. At June 30, 2016, 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 \$228,755.

The Other Funds have no formal deposit policy specific to custodial credit risk. At June 30, 2016, 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 \$74,798.

Investments

Securities Lending

State statutes and 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. As of June 30, 2016, the fair value of securities on loan was \$185,140,895, and the collateral held on the same date was \$189,517,143. 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 USD, 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 Position. 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. SDIC securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2016, the SDIC does not have custodial credit risk with regards to security lending collateral. The Other Funds do not have a policy for custodial credit risk. The Other Funds had custodial credit risk totaling \$203,294,041 in guaranteed investment contracts, Federal agency bonds, U.S. Treasury bonds, and U.S. Treasury notes not held in their name at June 30, 2016.

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 short term portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5.25 years. The Retirement Portfolio fixed income portfolio duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The Cash Flow Portfolio intermediate term portfolio and the Trust Portfolios investment-grade fixed income portfolios are benchmarked to the duration of the Citigroup BIG Index. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds.

The weighted modified durations (in years) of the various funds are listed in the following table (dollars expressed in thousands):

Investment Type	Cash Flow Portfolio		Retirement Portfolio		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$ 21,870	6.23	\$ 77,938	5.80	\$ 14,812	5.81	\$ 38,127	0.48
U.S. Treasury Bills			88,393	0.21	1,514	0.23	198	0.00
U.S. Treasury STRIPS	15,024	8.77	152,998	8.76	29,083	8.76		
U.S. Agencies	213,331	1.94	54,032	3.80	9,524	4.09	2,654	1.35
U.S. Agency Discount Notes			31,152	0.08	450	0.29		
U.S Government-backed Loans					1,247	11.06		
Investment Grade Corporates	761,712	2.20	388,069	4.78	72,038	4.76		
High-yield Corporates			758,588	3.83	1,640	6.66		
High-yield Bond Mutual Fund					52,110	4.50		
Agency Mortgage-backed Securities	34,043		353,425	3.75	66,283	3.74		
Non-agency Mortgage-backed Securities			610,162	0.54	56,339	0.54		
Municipal Bonds					48,051	4.23		
Investment Agreements							141,535	9.57
Total	\$ 1,045,980		\$ 2,514,757		\$ 353,091		\$ 182,514	
Portfolio Modified Duration		2.37		3.36		4.15		7.54

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 short term portfolio can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and 0.5% in individual holdings of corporate securities rating Baa3. The SDIC sets the investment policy annually for the Cash Flow Portfolio intermediate term portfolio, Trust Portfolios, and the Retirement Portfolio. 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.

The Clean Water State Revolving Fund and Drinking Water State Revolving Fund Master Trust Indenture requires any investment agreement to be with a guarantor whose long-term rating category is no lower than the two highest long-term rating categories.

Statutes authorize the Vocational Education Program to invest in the following: (1) direct obligations of the U.S.; (2) obligations issued by any agency or instrumentality of the U.S.; (3) certificates of deposit or time deposits of any bank which is a qualified public depository or any savings and loan association which is a savings and loan depository; (4) obligations of any solvent insurance company or other corporation existing under the laws of the U.S., or any state thereof provided the company or corporation is rated in one of the two highest rating classifications established by a standard rating service of insurance companies or a nationally recognized rating agency; (5) short-term discount obligations of the FNMA; or (6) obligations issued by any state of the U.S.

The Education Enhancement Funding Corporation does not have a formal policy on investment credit risk.

As of June 30, 2016, 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 Fair Value	Retirement Portfolios Fair Value	Trust Portfolios Fair Value	Other Funds Fair Value
Aaa	\$ 436,743	\$ 981,565	\$ 297,374	\$ 23,509
Aa	93,391	91,161	38,547	
A	519,604	145,800	38,457	
Baa	122,569	215,773	34,949	140,000
Ba		224,725	7,923	1,535
B		251,405	3,897	
Caa		471,211	15,974	
Ca		175,793	13,228	
P-1		31,151	449	
Unrated		164,220	70,411	4,015
Total	\$ 1,172,307	\$ 2,752,804	\$ 521,209	\$ 169,059

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 USD (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, 2016, are as follows (expressed in thousands):

Currency	Retirement Portfolio			Trust Portfolios		
	Equities U.S. Dollar Fair Value	Cash U.S. Dollar Fair Value	Total	Equities U.S. Dollar Fair Value	Cash U.S. Dollar Fair Value	Total
Australian Dollar	\$ 7,177	\$ 42	\$ 7,219	\$	\$	\$
Brazilian Real	2,526	53	2,579			
British Pound	251,114	1,527	252,641	24,113		24,113
Canadian Dollar	83,589	212	83,801	7,187	22	7,209
Danish Kroner	3,146	44	3,190			
Euro	234,707	356	235,063	22,176	79	22,255
Hong Kong Dollar	4,362	27	4,389			
Hungarian Forint	570	19	589			
Japanese Yen	110,499	889	111,388	6,792	128	6,920
South Korean Won	56,285		56,285	4,605		4,605
Norwegian Krone	600		600			
Singapore Dollar	391		391			
Swedish Krona	1,133		1,133			
Swiss Franc	217,355	4	217,359	24,163		24,163
Thai Baht	920		920			
Total Fair Value	\$ 974,374	\$ 3,173	\$ 977,547	\$ 89,036	\$ 229	\$ 89,265

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, 2016, was \$148,201,401. For the Retirement Portfolio, the total fair value of investments in real estate and private equity limited partnerships as

of June 30, 2016, was \$1,935,227,210. The total fair value of global equity investments and high-yield fixed income investments managed by outside managers was \$146,689,934 and \$33,801,273, respectively.

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 Portfolio 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, 2016.

Derivative Financial Instruments in Primary Government

Retirement Portfolio and Trust Portfolios

Derivatives are generally defined as a contract whose value depend on, or derives from, the value of an underlying asset, reference rate or index. The Retirement Portfolio is exposed to a variety of derivative products through the investment management of the SDIC and their outside managers. The Trust Portfolios utilized no derivative instruments in SDIC's internally managed portfolios, but may be exposed to a variety of derivative products through their outside managers. The following notes detail the derivative 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 Portfolio's mix at a lower transaction cost than transactions that would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2016, 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. At June 30, 2016, the pending variation margin of (\$17,498,410) is presented in the Statement of Net Position as "Due to brokers – futures transactions." The change in fair value of the futures contracts is presented in the Statement of Changes in Net Position as "Net decrease in fair value of investments." For fiscal year ended June 30, 2016, the net change in fair value from futures contracts was (\$48,514,258). At June 30, 2016, futures contracts outstanding were as follows:

	<u>Open Position</u>	<u>Contracts</u>	<u>Notional Contract size</u>	<u>Fair Value (Exposure)</u>
U.S. Treasury Note Future Due September 2016	Long	2,335	\$100,000 par value 6% U.S. Treasury note	\$ 310,518,527
S&P 500 Index Future Due September 2016	Short	14,800		\$ (1,546,748,000)

Foreign Currency Forward Contracts

The SDIC enters into foreign exchange forward contracts to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Net Position as "Investments at fair value – Equities." The change in fair value of the forward contracts is presented in the Statement of Changes in Net Position as "Net appreciation in fair value of investments." For fiscal year ended June 30, 2016, the net change in

fair value from foreign currency forward contracts was \$1,203,217. At June 30, 2016, 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	(20,770,519) CHF	08/10/2016	\$ 211,770
Forward Sale	(158,375,000) CNY	11/30/2016	110,191
Forward Purchase	158,375,000 CNY	11/30/2016	(933,016)

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, 2016, the net fair value of foreign currency forward contracts was \$211,770. 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>
A1	1	\$ 211,770

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 USD is (\$611,056).

Fair Value Measurement

Investments are reported at fair value as of June 30, 2016, to the extent available. GASB Statement No. 72- *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other than quoted prices included within Level 1 that are observable; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the hierarchy below.

The following tables summarize the Cash Flow Portfolio, Retirement Portfolio, Trust Portfolios, and Other Funds investments within the fair value hierarchy as of June 30, 2016 (expressed in thousands):

Cash Flow Portfolio:

	Cash Flow Fund Portfolio			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
U.S. Treasuries	\$ 21,870	\$	\$ 21,870	\$
U.S. Treasury STRIPS	15,024		15,024	
U.S. Agencies	213,331		213,331	
Investment Grade Corporates	761,712		761,712	
Agency Mortgage-backed Securities	34,043		34,043	
Total Fixed Income Securities	<u>1,045,980</u>	<u>0</u>	<u>1,045,980</u>	<u>0</u>
Total Investments by Fair Value Level	<u>1,045,980</u>	<u>\$ 0</u>	<u>\$ 1,045,980</u>	<u>\$ 0</u>
Investments Measured at the Net Asset Value (NAV)				
Short-term Investment Funds	<u>197,264</u>			
Total Investments Measured at the NAV	<u>197,264</u>			
Total Investments Measured at the Fair Value	<u>\$ 1,243,244</u>			

Retirement Portfolio:

	Retirement Portfolio			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	\$ 77,937	\$	\$ 77,937	\$
U.S. Treasury Bills	88,393		88,393	
U.S. Treasury STRIPS	152,998		152,998	
U.S. Agencies	54,032		54,032	
U.S. Agency Discount Notes	31,151		31,151	
Investment Grade Corporates	388,069		388,069	
High Yield Corporates	758,588		758,588	
Agency Mortgage-backed Securities	353,425		353,425	
Non-Agency Mortgage-backed Securities	610,162		610,162	
Total Fixed Income Securities	<u>2,514,755</u>	<u>0</u>	<u>2,514,755</u>	<u>0</u>
Equity Securities				
Domestic Stock	4,017,314	4,016,859	455	
Depository Receipts	85,697	85,697		
ETF - Exchange Traded Funds	117,140	117,140		
International Stock	974,374	974,374		
Stock Warrants	7,803	7,803		
Total Equity Securities	<u>5,202,328</u>	<u>5,201,873</u>	<u>455</u>	<u>0</u>
Alternative Investments				
Real Estate Funds	5,058			5,058
Total Alternative Investments	<u>5,058</u>	<u>0</u>	<u>0</u>	<u>5,058</u>
Total Investments by Fair Value Level	<u>7,722,141</u>	<u>\$5,201,873</u>	<u>\$2,515,210</u>	<u>\$ 5,058</u>
Investments Measured at the Net Asset Value (NAV)				
Short-term Investment Funds	659,552			
Emerging Markets Small Cap Equity Mutual Funds	49,312			
Mult Strategy Hedge Funds	97,378			
Alternative Investments				
Real Estate Funds	1,220,559			
Private Equity Funds	709,610			
Other Funds	33,801			
Total Alternative Investments	<u>1,963,970</u>			
Total Investments Measured at the NAV	<u>2,770,212</u>			
Total Investments Measured at the Fair Value	10,492,353			
Plus: Cash Held by Fund Managers	3,175			
Less: G/L on FX Transactions	(611)			
Less: Accrued Monthly Interest	(157)			
Total	<u>\$10,494,760</u>			
Investment Derivative Instruments				
Futures Contracts (Liability)	\$ (17,498)	\$ (17,498)	\$	
Foreign Exchange Forward Contracts	(611)		(611)	
Total Investment Derivative Instruments	<u>\$ (18,109)</u>	<u>\$ (17,498)</u>	<u>\$ (611)</u>	

Trust Portfolios:

	Trust Portfolios			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	\$ 14,812	\$	\$ 14,812	\$
U.S. Treasury Bills	1,514		1,514	
U.S. Treasury STRIPS	29,082		29,082	
U.S. Agencies	9,524		9,524	
U.S. Agency Discount Notes	450		450	
Investment Grade Corporates	72,038		72,038	
High Yield Corporates	1,640		1,640	
Agency Mortgage-backed Securities	66,283		66,283	
Non-Agency Mortgage-backed Securities	56,339		56,339	
Municipal Bonds	48,051		48,051	
Total Fixed Income Securities	299,733	0	299,733	0
Equity Securities				
Domestic Stock	341,403	341,403		
Depository Receipts	17,609	17,609		
ETF - Exchange Traded Funds	10,907	10,907		
International Stock	89,037	89,037		
Total Equity Securities	458,956	458,956	0	0
Alternative Investments				
Other Funds				
Total Alternative Investments	0	0	0	0
Total Investments by Fair Value Level	758,689	\$ 458,956	\$ 299,733	\$ 0
Investments Measured at the Net Asset Value (NAV)				
Short-term Investment Funds	235,577			
High Yield Bond Mutual Funds	52,110			
Alternative Investments				
Real Estate Funds	111,170			
Private Equity Funds	34,988			
Other Funds	2,044			
Total Alternative Investments	148,202			
Total Investments Measured at the NAV	435,889			
Total Investments Measured at the Fair Value	\$ 1,194,578			

Other Funds:

	Other Funds			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasuries	\$ 59,105	\$	\$ 59,105	\$
U.S. Agencies	2,654		2,654	
Total Fixed Income Securities	61,759	0	61,759	0
Total Investments by Fair Value Level	\$ 61,759	\$ 0	\$ 61,759	\$ 0

Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical securities as of the measurement date as issued by pricing vendors.

Equity securities classified in Level 2 of the fair value hierarchy are valued using a quoted price for an identical security in an inactive market. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The prices are determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

In the Retirement Portfolio, real estate funds classified in Level 3 of the fair value hierarchy are real estate alternative investments that invest primarily in overseas commercial real estate. These are investments which quoted prices are not readily available and are valued at estimated values as determined by the General Partner (GP). Investments are valued by the GP using one or more valuation methodologies with reference to the International Private Equity and Venture Capital Valuation Guidelines. The estimated fair values are subjective and based on judgment.

In the Retirement Portfolio and Trust Portfolios, the Other Fund classified in Level 3 of the fair value hierarchy is valued at zero. It is an investment in an alternative investment fund that invested in distressed and defaulted debt securities and equities of financially troubled companies. All positions in the fund have been liquidated and only cash remains. The fund holds contingent liabilities that offset cash. Due to the highly questionable outcome of the contingent liabilities it has been determined that a value of zero best reflects the fair value considering the information available as of June 30, 2016.

The portfolios may hold shares or interests in investments where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner.

In the Retirement Portfolio, derivative instruments classified in Level 1 of the fair value hierarchy represents the pending variance margin on futures contracts which is calculated using quoted prices in active markets for identical securities. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The foreign currency forward contract valuations are determined by interpolating FX rates for various settlement dates as of June 30, 2016.

The following table summarizes the fair value, unfunded commitments, and redemption rules of those investments as of June 30, 2016:

Investments Measured at the NAV

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Cash Flow Fund Portfolio Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Short-term Investment Funds (a)	\$ 197,263,502	\$	Daily	0 days
Investments Measured at the Net Asset Value (NAV)	<u>\$ 197,263,502</u>			

Investments Measured at the NAV

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Trust Portfolios Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Short-term Investment Funds (a)	\$ 235,577,392	\$	Daily	0 days
High Yield Bond Mutual Funds (b)	52,110,399		Daily	1 day
Alternative Investments				
Real Estate Funds (c)	111,169,750	68,728,451		
Private Equity Funds (d)	34,987,945	48,398,419		
Other Funds (e)	2,043,706			
Total Alternative Investments	<u>148,201,401</u>			
Investments Measured at the Net Asset Value (NAV)	<u>\$ 435,889,192</u>			

Investments Measured at the NAV

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Retirement Portfolio Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Short-term Investment Funds (a)	\$ 659,552,084	\$	Daily	0 days
Emerging Markets Small Cap Equity Mutual Funds (f)	49,312,252		Daily	1 day
Multi Strategy Hedge Funds (g)	97,377,683		Monthly	5-30 days
Alternative Investments				
Real Estate Funds (c)	1,220,558,755	667,369,243		
Private Equity Funds (d)	709,610,272	575,174,180		
Other Funds (e)	33,801,273			
Total Alternative Investments	<u>1,963,970,300</u>			
Investments Measured at the Net Asset Value (NAV)	<u>\$ 2,770,212,319</u>			
Real Estate Funds (Level 3)	\$ 5,058,183	\$ 131,931,411		

a. Short Term Investment Funds. This type includes investments in one open-end mutual fund that invests exclusively in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The fair value of the investment in this type has been determined using the NAV per share of the investment.

b. High Yield Bond Mutual Funds. This type includes an investment in one open-end mutual fund that invests mainly in a diversified group of high-yielding, higher risk corporate bonds with medium- and lower range credit-quality ratings. The fair value of the investment in this type has been determined using the NAV per share of the investment.

c. Real Estate Funds. This type includes eleven (Trust Portfolios) and 23 (Retirement Portfolio) real estate funds that invest primarily in commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

d. Private Equity Funds. This type includes eight (Trust Portfolios) and 37 (Retirement Portfolio) private equity funds that invest primarily in leveraged buyouts. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

e. Other Funds. This type includes two other alternative investments that invest primarily in a broad range of debt, debt-related, and real estate-related investments. The fair values of the investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 5 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

f. Emerging Markets Small Cap Equity Mutual Funds. This type included one investment in an open-end mutual fund that emphasizes broad diversification and consistent exposure to emerging market small company stocks. The fair value of the investment in this type has been determined using the NAV per share of the investment.

g. Multi Strategy Hedge Funds. This type includes two investments in funds that may invest in a wide range of asset classes in order to meet fund objectives. The fair values of the investments in this type have been determined using the NAV per share of the investments.

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 Housing Development Authority deposit policy requires deposits in excess of the Depository Insurance maximums be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled either directly or indirectly by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. The additional component units do not have deposit policies for custodial credit risk. As of June 30, 2016, the component units had no deposits that were not collateralized or covered by depository insurance.

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, 2016, six investments in the amount of \$2,169,911 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 Housing Development Authority has 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 Housing Development 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 Housing Development 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, the 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.

The Ellsworth Development Authority and the Science and Technology Authority do not have policies for interest rate risk.

As of June 30, 2016, the Housing Development Authority and the Economic Development Finance Authority had investments maturing as follows (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater than 10</u>
U.S. Government Obligations	\$ 101,050	\$ 8,223	\$ 65,981	\$ 26,611	\$ 235
U.S. Treasury Notes					
Certificates of Deposit	12,949	6,115	6,528	306	
U.S. Agencies	528,209	9,751	37,217	22,676	458,565
Mutual Funds	220,513	220,513			
State Obligations	2,977	450	1,459	1,068	
Investment Agreements	646				646
Total	\$ 866,344	\$ 245,052	\$ 111,185	\$ 50,661	\$ 459,446

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. If securities are downgraded after purchase, the Authority will analyze the reason for the downgrade and determine what, if any, action is needed. 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.

The Ellsworth Development Authority and the Science and Technology Authority are limited to investments permitted by state statute.

As of June 30, 2016, the Housing Development Authority investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
Aaa	\$ 606,885
Aa	721
Unrated	10,310
Total Fair Value	\$ 617,916

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. As of June 30, 2016, the Economic Development Finance Authority has the maximum portfolio exposure to permitted investments:

	Restricted Account		Unrestricted Account	
	Portfolio Exposure		Portfolio Exposure	
	Total	Individual	Total	Individual
U.S. Governments	100%	100%	100%	100%
U.S. Agencies	100%	100%	100%	100%
Repurchase Agreements	50%	25%	50%	25%
Corporate Bonds	0%	0%	50%	10%
Municipal Bonds	0%	0%	50%	10%
Certificates of Deposit	100%	100%	100%	100%
Money Market Funds	25%	25%	25%	25%

The Housing Development Authority will minimize Concentration Credit Risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. As of June 30, 2016, Housing Development Authority's investments held 5% or more of the following issuers: Federal Home Loan Bank (7.06%) and Federal National Mortgage Association (21.90%).

Hedging 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, 2016, 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 (dollars expressed in thousands).

<u>Bond Series</u>	<u>Current Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Payable Rate</u>	<u>Variable Rate Received</u>	<u>Termination Date</u>	<u>Counterparty Credit Rating*</u>	<u>Fair Value</u>
Merrill Lynch Capital Services 2007 I	\$ 34,000	10/16/2007	4.14%	63.8% of LIBOR plus 0.30%	05/01/2038	Baa1	\$ (1,773)
JPMorgan Chase Bank, N.A. 2008 F	34,000	09/04/2008	3.85%	63.7% of LIBOR plus 0.31%	05/01/2039	Aa2	(2,633)
Wells Fargo Bank 2015 E-1	25,000	12/17/2015	2.11%	66.4% of LIBOR plus 0.22%	11/01/2037	Aa1	(1,622)
2015 E-2	25,000	12/17/2015	66.4% of LIBOR plus 0.22%	22yr MMD plus 0.87%	11/01/2037	Aa1	(33)
Bank of America, N.A. 2009 C	22,000	11/18/2009	3.14%	64.0% of LIBOR plus 0.22%	05/01/2039	A1	(1,762)
Merrill Lynch Derivative Products, AG. 2008 C	34,935	04/23/2008	3.44%	63.7% of LIBOR plus 0.30%	05/01/2039	Aa3	(1,833)
MPB 2008 A	6,785	08/02/2008	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(479)

* Moody's Investors Service

The fair values presented above were estimated by the Housing Development 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, along with consideration for non-performance risk, 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, 2016. 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 Housing Development 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. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral thresholds are based on the prevailing ratings, as determined by Moody's and Standard & Poor's, of each counterparty, in the case of the counterparties, or hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2016, neither the Authority nor any counterparty had been required to post collateral.

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, 2016, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.20% per annum, while the weighted average interest rate on the swaps was 1.32% 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, 2016 (expressed in thousands):

Year-end June 30	Variable-rate Bond		Interest Rate	Total
	Principal	Interest	Swap – Net	
2017	\$ 100	\$ 1,366	\$ 3,916	\$ 5,382
2018	105	1,365	3,900	5,370
2019	110	1,364	3,897	5,371
2020	120	1,364	3,893	5,377
2021	120	1,363	3,890	5,373
2022-2026	695	6,803	19,389	26,887
2027-2031	46,120	6,137	17,625	69,882
2032-2036	73,395	3,376	11,095	87,866
2037-2041	48,680	539	2,699	51,918
2042-2046	1,600	64	334	1,998
2047-2050	740	12	61	813
Total	\$ 171,785	\$ 23,753	\$ 70,699	\$ 266,237

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 did not have any rollover risk as of June 30, 2016.

Mortgage-backed Security (MBS) Forwards Contracts

The South Dakota Housing Development Authority has entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by Ginnie Mae and Fannie Mae in the future, before the securities are ready for delivery (referred to as “to-be-announced” or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Authority approved lenders. The forward contracts offset the financial impact to the Authority of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. The forward contracts are considered hedging derivative instruments and the fair values were obtained from an external pricing specialist using current trade pricing for similar financial instruments in active markets that the Authority has the ability to access. A positive fair value represents money due the Authority by the counterparty, while a negative fair value represents money payable by the Authority.

Outstanding forward sales contracts as of June 30, 2016, are as follows:

Forward Contracts to sell TBA Mortgage- Backed Securities	Notional Amount June 30, 2016	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2016	Moody's Credit Rating
Bank of New York Mellon						
FNMA	\$ 500,000	4/13/2016	7/14/2016	3.50%	\$ (5,313)	Aaa
FNMA	500,000	4/18/2016	7/14/2016	3.00%	(7,969)	Aaa
FNMA	1,000,000	4/18/2016	7/14/2016	3.50%	(10,156)	Aaa
GNMA II	500,000	4/26/2016	7/20/2016	3.00%	(9,063)	Not rated
GNMA II	1,200,000	4/26/2016	7/20/2016	3.50%	(13,313)	Not rated
FNMA	500,000	4/27/2016	7/14/2016	3.00%	(10,781)	Aaa
FNMA	1,000,000	5/4/2016	7/14/2016	3.00%	(15,781)	Aaa
GNMA II	1,000,000	5/4/2016	7/20/2016	3.50%	(7,969)	Not rated
FNMA	500,000	5/5/2016	7/14/2016	3.50%	(4,766)	Aaa
GNMA II	1,000,000	5/9/2016	7/20/2016	3.00%	(11,406)	Not rated
GNMA II	1,000,000	5/12/2016	7/20/2016	3.00%	(11,250)	Not rated
FNMA	1,000,000	5/12/2016	8/11/2016	3.00%	(14,531)	Aaa
GNMA II	1,000,000	5/13/2016	7/20/2016	3.50%	(5,781)	Not rated
FNMA	500,000	5/20/2016	8/11/2016	3.00%	(8,672)	Aaa
FNMA	500,000	5/20/2016	8/11/2016	3.50%	(5,547)	Aaa
GNMA II	500,000	5/20/2016	8/18/2016	3.50%	(4,063)	Not rated
GNMA II	500,000	5/23/2016	8/18/2016	3.50%	(4,219)	Not rated
GNMA II	1,000,000	5/25/2016	8/18/2016	3.50%	(8,281)	Not rated
FNMA	500,000	5/27/2016	8/11/2016	3.00%	(8,398)	Aaa
FNMA	500,000	5/27/2016	8/11/2016	3.50%	(5,430)	Aaa
GNMA II	500,000	5/31/2016	8/18/2016	3.00%	(6,172)	Not rated
FNMA	1,000,000	6/1/2016	8/11/2016	3.00%	(16,172)	Aaa
FNMA	500,000	6/1/2016	8/11/2016	3.50%	(5,234)	Aaa
GNMA II	1,000,000	6/3/2016	8/18/2016	3.50%	(4,922)	Not rated
FNMA	500,000	6/6/2016	8/11/2016	3.50%	(3,750)	Aaa
GNMA II	765,350	6/16/2016	7/20/2016	3.00%	(3,827)	Not rated
GNMA II	202,977	6/16/2016	7/20/2016	3.50%	(603)	Not rated
FNMA	500,000	6/16/2016	9/14/2016	3.00%	(3,125)	Aaa
GNMA II	1,000,000	6/17/2016	8/18/2016	3.00%	(6,875)	Not rated
GNMA II	1,000,000	6/23/2016	9/21/2016	3.50%	(4,844)	Not rated
FNMA	500,000	6/28/2016	9/14/2016	3.00%	(1,016)	Aaa
FNMA	1,000,000	6/28/2016	9/14/2016	3.50%	(1,406)	Aaa
GNMA II	500,000	6/28/2016	9/21/2016	3.00%	(391)	Not rated
GNMA II	500,000	6/30/2016	9/21/2016	3.50%	-	Not rated
Bank of America Merrill Lynch						
FNMA	1,000,000	4/26/2016	7/14/2016	3.50%	(14,844)	Aaa
GNMA II	1,000,000	4/29/2016	7/20/2016	3.50%	(9,063)	Not rated
GNMA II	1,000,000	5/6/2016	7/20/2016	3.50%	(6,563)	Not rated
FNMA	1,000,000	6/7/2016	8/11/2016	3.50%	(6,719)	Aaa
GNMA II	1,000,000	6/9/2016	8/18/2016	3.50%	(5,313)	Not rated
GNMA II	1,000,000	6/14/2016	8/18/2016	3.50%	(4,375)	Not rated
GNMA II	2,000,000	6/16/2016	7/20/2016	3.50%	(4,688)	Not rated
GNMA II	1,300,000	6/17/2016	8/18/2016	3.50%	(5,586)	Not rated
FNMA	1,000,000	6/21/2016	9/14/2016	3.50%	(7,188)	Aaa
GNMA II	1,300,000	6/30/2016	9/21/2016	3.00%	203	Not rated
Simmons First						
GNMA II	1,000,000	4/29/2016	7/20/2016	3.00%	(15,430)	Not rated
GNMA II	1,000,000	5/20/2016	8/18/2016	3.00%	(13,945)	Not rated
GNMA II	1,000,000	5/31/2016	8/18/2016	3.50%	(7,461)	Not rated
GNMA II	1,000,000	6/9/2016	8/18/2016	3.00%	(8,041)	Not rated
	\$ 39,768,327				\$ (340,039)	

Fair Value Measurement

Investments are reported at fair value as of June 30, 2016, to the extent available. GASB Statement No. 72- *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other than quoted prices included within Level 1 that are observable; Level 3 inputs are significant unobservable inputs.

The following table summarizes the Housing Authority and Finance Authority investments within the fair value hierarchy as of June 30, 2016 (expressed in thousands):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
U.S. Treasuries	\$ 101,050	\$	\$101,050	\$
U.S. Agencies	528,209		528,209	
Money Market Mutual Funds	220,513	220,513		
Investment Grade Corporates	646		646	
Certificates of Deposit	12,950		12,950	
State Obligations	2,977		2,977	
Total Investments by Fair Value Level	<u>\$ 866,345</u>	<u>\$ 220,513</u>	<u>\$ 645,832</u>	<u>\$ 0</u>
Hedging Derivative Instruments				
Interest Rate Swaps	\$ (10,135)	\$	\$ (10,135)	\$
Forward MBS Contracts	(340)		(340)	
Total Hedging Derivative Instruments	<u>\$ (10,475)</u>	<u>\$ 0</u>	<u>\$ (10,475)</u>	<u>\$ 0</u>

For the Finance Authority, First National Bank serves as trustee uses a pricing service, Standard and Poor's Securities Evaluation Incorporated (SPSE), to value investments. SPSE uses market approach pricing which utilizes models and pricing systems as well as mathematical tools and pricing analyst judgment. All investments are priced by this service, which is not quoted prices in an active market, but rather significant other inputs; therefore, the investments are categorized as Level 2.

The Housing Authority obtains its fair value pricing on investments from their third party trustee. There are multiple pricing methodologies which are used to value the Authority's investments. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods. Money Market Mutual Funds classified as Level 1 are valued using quoted prices in active markets for those securities. Since the Authority's debt security investments are not actively traded on an exchange and rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Housing Authority obtains its fair value pricing on interest rate swaps and forward MBS contracts from a third party vendor. For interest rate 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 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 current market implied volatility. Together these calculations, along with considerations from non-performance risks, determine the current fair value of the Housing Authority's swap contracts. The forward MBS contracts fair values were obtained from an external pricing specialist using current trade pricing for similar financial instruments in active markets that the Authority has the ability to access.

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

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

Governmental Activities								
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	Total
Taxes Receivable	\$139,462	\$ 17,874	\$	\$	\$	\$ 3,330	\$	\$ 160,666
Allowance	(13,138)	(27)						(13,165)
Accounts Receivable	18,943	851	18,389	167	139	26,489	1,914	66,892
Allowance	(1,296)	(450)				(6,273)		(8,019)
Due From Other Governments	1,141	51,342	28,908			81,649	111	163,151
Interest Receivable	1,550	314	2	599	1,293	1,382	231	5,371
Current Loans and Notes		286				4,335		4,621
Non-current Loans and Notes		1,284				46,321		47,605
Due From Fiduciary Funds	158						86	244
Receivables, net	\$146,820	\$ 71,474	\$ 47,299	\$ 766	\$ 1,432	\$ 157,233	\$2,342	\$ 427,366

Business-type Activities					
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Accounts Receivable	\$ 4,598	\$	\$	\$ 3,835	\$ 8,433
Allowance	(18)			(2,216)	(2,234)
Due From Other Governments		376	451	385	1,212
Interest Receivable	42	2,633	2,044	589	5,308
Current Loans Receivable		20,771	10,042	5,426	36,239
Allowance				(96)	(96)
Noncurrent Loans Receivable		206,985	142,786	40,737	390,508
Allowance				(1,375)	(1,375)
Due From Fiduciary Funds				27	27
Receivables, net	\$ 4,622	\$230,765	\$ 155,323	\$ 47,312	\$ 438,022

B. Accounts Payable and Other Current Liabilities

The line “Accounts Payable and Other Current Liabilities” reported on the Government-wide Statement of Net Position consisted of the following (expressed in thousands):

Governmental Activities								
	General Fund	Trans- portation Fund	Social Services Federal Fund	Dakota Cement Trust	Educational Enhancement Trust	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	\$ 13,371	\$ 5,069	\$ 2,137	\$	\$	\$ 9,714	\$ 2,493	\$ 32,784
Accounts Payable	18,872	36,752	5,404	1,053	1,824	25,991	3,483	93,379
Medicaid and CHIP Claims	26,428		29,953			6,427		62,808
Due to Other Governments	792	4,524	138			27,582	128	33,164
Bank Tax Refund	8,285							8,285
Shared Revenue Distribution	13,239					34,120		47,359
Claims Payable							12,727	12,727
Due to Fiduciary Funds	103							103
Total	\$ 81,090	\$ 46,345	\$ 37,632	\$ 1,053	\$ 1,824	\$ 103,834	\$ 18,831	\$ 290,609

Business-type Activities				
	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Payroll and Withholdings	\$ 116	\$ 20	\$ 18	\$ 665
Accounts Payable	1,925	217	186	3,658
Due to Fiduciary Funds				11
Escrow Payable	64			64
Other Liabilities	470		101	571
Total	\$ 2,575	\$ 237	\$ 204	\$ 4,435

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2016, 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 Trust Fund	Non-major Governmental Funds	Lottery Fund	Clean Water State Revolving	Drinking Water State Revolving	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$	\$ 7,393	\$ 18,243	\$ 17,370	\$ 5,073	\$	\$	\$ 2	\$ 11	\$ 158	\$ 48,250
Transportation Fund	522				1,513	30			1	308		2,374
Social Services Federal Fund					12							12
Non-major Governmental Funds	691	133	388		1,650	1,114			51	130		4,157
Non-major Enterprise Funds	555		14		1,256				82	27		1,934
Internal Service Funds	2,410	1,216	800		2,910	111	1	1	160	777	86	8,472
Fiduciary Funds	103								11			114
Total	\$ 4,281	\$ 1,349	\$ 8,595	\$ 18,243	\$ 24,711	\$ 6,328	\$ 1	\$ 1	\$ 225	\$ 1,308	\$ 271	\$ 65,313

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 exist at June 30, 2016, which are not shown in the above table. These are interfund borrowings between funds that are not due within one year. In fiscal year 2016, advances include \$458,148 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	Education Enhancement Trust Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	
General Fund	\$	\$ 50	\$ 2,100	\$ 14,153	\$ 369	\$ 1,401	\$ 18,073
Transportation Fund	3,121			1,212			4,333
Social Services Federal Fund				249			249
Dakota Cement Trust Fund	11,436						11,436
Education Enhancement Trust Fund	18,243						18,243
Non-major Governmental Funds	70,488	6,661	7,568	15,370	2,976		103,063
Lottery Fund	109,756	201		7,696			117,653
Clean Water State Revolving Fund				40			40
Drinking Water State Revolving Fund				36			36
Non-major Enterprise Funds	5,052			1,166			6,218
Total	\$ 218,096	\$ 6,912	\$ 9,668	\$ 39,922	\$ 3,345	\$ 1,401	\$ 279,344

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 2016, \$232,245,291 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 2016 (expressed in thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 115,637	\$ 2,253	\$ 1,806	\$ 116,084
Land Improvements	8,904	168		9,072
Land & Improvements - Roads	613,620	5,081		618,701
Construction in Progress	264,784	175,014	168,105	271,693
Total Capital Assets Not Being Depreciated	1,002,945	182,516	169,911	1,015,550
Capital Assets Being Depreciated:				
Land Improvements	31,294	1,728	2,415	30,607
Buildings	601,287	49,980	4,915	646,352
Equipment	216,108	18,311	8,757	225,662
Intangible Assets - Software	72,947	6,322		79,269
Vehicles	152,180	18,880	9,711	161,349
Infrastructure	3,761,358	102,655	8,256	3,855,757
Total Capital Assets Being Depreciated	4,835,174	197,876	34,054	4,998,996
Less: Accumulated Depreciation for:				
Land Improvements	12,392	1,375	585	13,182
Buildings	211,937	16,572	1,870	226,639
Equipment	129,110	14,566	7,640	136,036
Intangible Assets - Software	50,356	4,789		55,145
Vehicles	81,514	10,616	8,183	83,947
Infrastructure	1,486,814	63,478	7,463	1,542,829
Total Accumulated Depreciation	1,972,123	111,396	25,741	2,057,778
Total Capital Assets Being Depreciated, Net	2,863,051	86,480	8,313	2,941,218
Total Governmental Activities, Net	\$ 3,865,996	\$ 268,996	\$ 178,224	\$ 3,956,768

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Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 295	\$	\$	\$ 295
Construction in Progress		3,797		3,797
Total Capital Assets Not Being Depreciated	295	3,797	0	4,092
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	3,623	119	52	3,690
Intangible Assets - Software	2,341			2,341
Total Capital Assets Being Depreciated	10,896	119	52	10,963
Less: Accumulated Depreciation for:				
Land Improvements	618	14		632
Buildings	3,238	66		3,304
Equipment	3,226	55	52	3,229
Intangible Assets - Software	1,298	234		1,532
Total Accumulated Depreciation	8,380	369	52	8,697
Total Capital Assets Being Depreciated, Net	2,516	(250)		2,266
Total Business-type Activities, Net	\$ 2,811	\$ 3,547	\$ 0	\$ 6,358

Depreciation was charged to the function of government as follows:

Governmental Activities	Amount
Unallocated	\$ 53
General Government	11,475
Health, Human and Social Services	3,973
Law, Justice, Public Protection and Regulation	11,578
Agriculture and Natural Resources	4,024
Transportation	76,928
Education	3,363
Economic Resources	2
Total Governmental Activities	\$111,396
Business-type Activities	
Enterprise Funds	\$ 368

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2016 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 25,305	\$ 2,443	\$	\$ 27,748
Construction in Progress, as restated	79,155	137,196	45,606	170,745
Works of Art and Historical Treasures	9,129	77		9,206
Total Capital Assets Not Being Depreciated	<u>113,589</u>	<u>139,716</u>	<u>45,606</u>	<u>207,699</u>
Capital Assets Being Depreciated:				
Land Improvements, as restated	38,947	8,036	151	46,832
Infrastructure, as restated	65,689	6,383		72,072
Buildings, as restated	1,070,273	35,950	4,438	1,101,785
Equipment and Other Assets, as restated	253,491	14,507	7,231	260,767
Total Capital Assets Being Depreciated	<u>1,428,400</u>	<u>64,876</u>	<u>11,820</u>	<u>1,481,456</u>
Less: Accumulated Depreciation for:				
Land Improvements, as restated	17,999	1,707	151	19,555
Infrastructure, as restated	22,160	2,482		24,642
Buildings, as restated	346,105	29,763	3,474	372,394
Equipment and Other Assets, as restated	194,553	12,892	6,027	201,418
Total Accumulated Depreciation	<u>580,817</u>	<u>46,844</u>	<u>9,652</u>	<u>618,009</u>
Total Capital Assets Being Depreciated, Net	<u>847,583</u>	<u>18,032</u>	<u>2,168</u>	<u>863,447</u>
Total Higher Education Capital Assets, Net	<u>961,172</u>	<u>157,748</u>	<u>47,774</u>	<u>1,071,146</u>
* Higher Education amounts do not include their foundations.				
South Dakota Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land	220			220
Total Capital Assets Not Being Depreciated	<u>220</u>	<u>0</u>	<u>0</u>	<u>220</u>
Capital Assets Being Depreciated:				
Land Improvements	1,260	2		1,262
Buildings	4,949			4,949
Equipment	3,742	308	93	3,957
Total Capital Assets Being Depreciated	<u>9,951</u>	<u>310</u>	<u>93</u>	<u>10,168</u>
Less: Accumulated Depreciation for:				
Land Improvements	643	40		683
Buildings	837	126		963
Equipment and Other Assets	2,747	289	93	2,943
Total Accumulated Depreciation	<u>4,227</u>	<u>455</u>	<u>93</u>	<u>4,589</u>
Total Capital Assets Being Depreciated, Net	<u>5,724</u>	<u>(145)</u>	<u>0</u>	<u>5,579</u>
Total Housing Authority Capital Assets, Net	<u>5,944</u>	<u>(145)</u>	<u>0</u>	<u>5,799</u>

Continued on next page

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,579	\$	\$	\$ 1,579
Underground Mine	17,251	517		17,768
Archive Materials	70			70
Construction in Progress	24,337	3,407	8,485	19,259
Total Capital Assets Not Being Depreciated	43,237	3,924	8,485	38,676
Capital Assets Being Depreciated:				
Building Improvements	33,813	3,194		37,007
Buildings	7,223			7,223
Equipment	10,346	650	93	10,903
Equipment Under Capital Leases	884			884
Vehicles	86			86
Infrastructure	1,659			1,659
Total Capital Assets Being Depreciated	54,011	3,844	93	57,762
Less: Accumulated Depreciation for:				
Building Improvements	4,067	962		5,029
Buildings	1,462	146		1,608
Equipment	3,437	733	90	4,080
Equipment Under Capital Leases	362	177		539
Vehicles	56	8		64
Infrastructure	211	39		250
Total Accumulated Depreciation	9,595	2,065	90	11,570
Total Capital Assets Being Depreciated, Net	44,416	1,779	3	46,192
Total Science and Technology Authority Capital Assets, Net	87,653	5,703	8,488	84,868
Ellsworth Development Authority				
Capital Assets Not Being Depreciated:				
Land and Easements	568	2,168	2,180	556
Total Capital Assets Not Being Depreciated	568	2,168	2,180	556
Capital Assets Being Depreciated:				
Equipment	4			4
Buildings	16,872	327		17,199
Improvements	6,921			6,921
Total Capital Assets Being Depreciated	23,797	327	0	24,124
Less: Accumulated Depreciation for:				
Equipment	4			4
Buildings	515	574		1,089
Improvements	254	277		531
Total Accumulated Depreciation	773	851	0	1,624
Total Capital Assets Being Depreciated, Net	23,024	(524)	0	22,500
Total Ellsworth Development Authority Capital Assets, Net	23,592	1,644	2,180	23,056
Total Discretely Presented Component Units, Net	\$ 1,078,361	\$ 164,950	\$ 58,442	\$ 1,184,869

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, 2016, are as follows (expressed in thousands):

	<u>Amount</u>
Primary Government	
Governmental Activities	
Land Improvements	\$ 16
Buildings and Structures	10,225
Equipment	985
Vehicles	20
Intangibles - Computer Software	54,068
Infrastructure	<u>206,379</u>
Total Governmental Activities	<u>271,693</u>
Business - Type Activities	
Buildings and Structures	<u>3,797</u>
Total Business - Type Activities	<u>3,797</u>
Total Primary Government	<u>\$ 275,490</u>
Discretely Presented Component Units	
Higher Education*	
Land Improvements	\$ 1,171
Buildings and Structures	154,853
Infrastructure	14,672
Equipment	50
Science and Technology	
Buildings and Structures	545
Infrastructure	<u>18,714</u>
Total Discretely Presented Component Units	<u>\$ 190,005</u>

* Higher Education amounts do not include their foundations.

7. RETIREMENT PLANS

A. South Dakota Retirement System

General Description of the System

The South Dakota Retirement System (SDRS or the System) is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the State and its political subdivisions. Members of SDRS include full time employees of public schools, the State, the Board of Regents, city and county governments, and other public entities. Public schools, cities, and counties may choose not to include certain full time employees in the System.

SDRS is considered a part of the State financial reporting entity and is included in the State's financial report as a pension trust fund. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law (SDCL) 3-12. Copies of the audited SDRS financial statements are available at <http://www.sdrs.sd.gov/>.

The South Dakota Retirement System Board of Trustees (the Board) is the governing authority of SDRS. The Board consists of 14 elected representatives from participating groups, two appointees of the governor, and an ex officio

nonvoting representative of the South Dakota Investment Council. The elected representatives of the Board are two teacher members; two State employee members; a participating municipality member; a participating county member; a participating classified employee member; a current contributing Class B member other than a justice, judge, or magistrate judge; a county commissioner of a participating county; a school district board member, a justice, judge, or magistrate judge, an elected municipal official of a participating municipality; a retiree; and a faculty or administrative member employed by the Board of Regents. The two Governor's appointees consist of one head of a principal department established pursuant to SDCL 1-32-2, or one head of a bureau under the office of executive management and one individual from the private or public sector.

SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions. The system includes three classes of members: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement members. Members and their employers make matching contributions, which are defined in State statute. SDRS may expend up to 3% of the annual contributions for administrative expenses subject to approval by the executive and legislative branches of the State.

SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of contributory service. Class A members and Class B judicial members who retire after age 65 with three years of service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B judicial members where the sum of age and credited service is equal to or greater than 80. Class B public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B public safety members where the sum of age and credited service is equal to or greater than 75. All retirement benefits that do not meet the above criteria may be payable at a reduced level. Class C Cement Plant Retirement members have a normal retirement age of 65 and early retirement is age 55 with the required credited service. Class C provides for disability payments for those disabled on or before March 16, 2001. All participants of the Plan on March 15, 2001, were 100% vested.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) and based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
 - * 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
 - * 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% – 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost of Living Adjustment.

SDRS is a qualified defined benefit retirement plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes. SDRS last received a favorable determination letter dated July 3, 2012, in which the Internal Revenue Service stated that the System, as then designated, was in compliance with the applicable requirements of the Internal Revenue Code. SDRS believes that the system currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code, and therefore, SDRS continues to be tax exempt as of June 30, 2016. Therefore, no provision for income taxes has been included in SDRS's financial statements.

Summary of Significant Accounting Policies

SDRS's financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles applicable to governmental accounting for a pension trust fund. Employee and employer contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value, in accordance with GASB Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the

measurement date. Additional required disclosures can be found in Note 1, Summary of Significant Accounting Policies.

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 in which it is earned and dividend income is recorded on the ex-dividend date.

The preparation of SDRS's financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

Contributions

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

Class A members	6% of salary
Class B judicial members	9% of salary
Class B public safety members	8% of salary

All participating employers are required to contribute an amount equal to the members' contributions. Members may make an additional contribution of 1.5% of compensation for optional spouse coverage (closed to new enrollees after July 1, 2010).

SDRS is funded by fixed member and employer contributions at a rate established by South Dakota law. On an annual basis, an independent actuarial valuation of SDRS is performed to determine the adequacy of the fixed contributions to pay the normal costs and expenses if the System is fully funded or pay the normal costs, expenses and amortize the unfunded actuarial accrued liability (UAAL) if the System is not fully funded. The June 30, 2015 actuarial valuation of the plan determined that the System is fully funded and that the statutorily required employer contributions meet the requirements for the annual required contributions of the employers under Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* along with amendments included in Statement No. 67, *Financial Reporting for Pension Plans*; and the statutorily required employer contributions are sufficient to pay the employer normal cost and expenses.

Contributions for the primary government during fiscal year 2016 were \$25,405,798, during fiscal year 2015 were \$24,588,311, and during fiscal year 2014 were \$23,155,335. Contributions for the State's component units during 2016 were \$18,149,387, during fiscal year 2015 were \$17,493,492, and during fiscal year 2014 were \$16,997,432.

State's Proportionate Share of SDRS

For fiscal year 2016, the State and its component units used a July 1, 2014, to June 30, 2015, measurement date for reporting purposes.

The State's proportionate share of SDRS's collective net pension asset is 22.4497754% or \$95,215,912 using a June 30, 2015, measurement date. This percentage was measured based on all employer contributions from July 1, 2014, through June 30, 2015. Pension expenses for the state were \$10,028,416 and contributions subsequent to the measurement date were \$25,394,956. The State's proportionate share increased by .3809977% over the prior fiscal year's proportionate share of 22.0687777%.

The State's component unit's proportionate share of SDRS's collective net pension asset is 15.9662205% or \$67,717,303 using a June 30, 2015, measurement date. This percentage was measured based on all employer contributions from July 1, 2014 through June 30, 2015. Pension expenses for component units were \$7,593,206 and contributions subsequent to the measurement date were \$18,149,387. The State's component unit's proportionate share decreased by .2336129% over the prior fiscal year's proportionate share of 16.1998334%.

The components of the net pension asset of the System at June 30, 2015, were as follows:

	State of South Dakota Proportionate Allocation 22.4497754%	Discretely Presented Component Units Proportionate Allocation 15.9662205%
Total Pension Liability	\$ 2,324,091,680	\$ 1,652,887,816
Plan Fiduciary Net Position	(2,419,307,592)	(1,720,605,119)
Net Pension (Asset) Liability	\$ (95,215,912)	\$ (67,717,303)

**Fiduciary Net Position as a Percentage
of Net Pension Liability**

104.1%

104.1%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.25%
Salary Increase:	5.83% at entry to 3.87% after 30 years of service
Discount Rate:	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period of July 1, 2005, to June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Discount rate – The discount rate used to measure the total pension liability was 7.25% through FY 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (Asset) Liability.

Investments – The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2015, (see the discussion of the pension plan’s investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	61%	4.5%
Fixed Income	27%	1.8%
Real Estate	10%	5.2%
Cash	2%	0.0%
Total	100%	

Sensitivity of (asset) liability to changes in the discount rate – The following presents the net pension (asset) liability of the State’s proportionate share of SDRS’s collective net pension asset of \$95,215,912 using a June 30, 2015, measurement date, calculated using the discount rate of 7.25% through FY 2017 and 7.50% thereafter, as well as what the System’s net pension asset would be if it were calculated using a discount rate that is 1% point lower (6.25/6.50%) or 1% point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
State’s Proportionate Share of SDRS’s Net Pension (Asset) Liability	\$ 239,657,385	\$ (95,215,912)	\$ (368,276,247)
Discretely Presented Component units Proportionate Share of SDRS Net Pension (Asset) Liability	170,443,694	(67,717,303)	(261,917,086)

Deferred Outflows and Inflows of Resources Related to Pensions – The Deferred Outflows and Inflows of Resources related to pensions at June 30, 2016, were as follows:

State of South Dakota Deferred Outflows and Inflows of Resources Related to Pensions (Expressed in Thousands)				
<u>Source</u>	<u>Primary Government</u>		<u>Discretely Presented Component Units</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 19,496	\$	\$ 13,865	\$
Changes in Assumptions	75,501		53,695	
Net Differences between Projected and Actual Earnings on Pension Plan Investments	58,167	140,492	41,367	99,918
Changes in Proportionate Share and Differences between Contributions and Proportionate Share of Contributions		1,232	803	28
Contributions Subsequent to the Measurement Date	25,406		18,149	
Total	\$ 178,570	\$ 141,724	\$ 127,879	\$ 99,946

The \$25.4 million and the \$18.1 million reported above as deferred outflows of resources by the primary government and the discretely presented component units are the result of employer contributions made subsequent to the measurement date of June 30, 2015. These contributions will be recognized as an increase of the net pension asset in the upcoming year. The remaining amounts reported above as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows (dollars expressed in thousands):

Recognition of Remaining Deferred Outflows and (Inflows) of Resources

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
2017	\$ 4,232	\$ 3,385
2018	4,232	3,385
2019	(12,418)	(8,456)
2020	15,671	11,296
Total	\$ 11,717	\$ 9,609

B. 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. Per SDCL 61-2-15, the Department of Labor and Regulation may establish this retirement program and contract with a retirement plan administrator selected by the employee's retirement board. In addition this SDCL further specifies that no obligation may be incurred against the State's General Fund to pay for this program. The assets of the plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers the plan for the participants. The State has no liability for losses under the plan.

The Employment Security Retirement Plan was established as a defined benefit single employer plan administered through a private insurance carrier, however; 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.

On July 1, 2015, the most recent actuarial valuation date, the plan had 12 active participants, 1 vested terminated participant, and 220 retired participants and beneficiaries.

8. DEFERRED COMPENSATION PLAN

The State of South Dakota (through South Dakota Retirement System) maintains a deferred compensation plan known as the Supplemental Retirement Plan (SRP), created in accordance with Internal Revenue Code Section 457. SRP is available to all public employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the SRP, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are at all times held in trust for the exclusive benefit of the participants until made available to a participant or the participant's beneficiary. 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. A copy of the South Dakota Retirement System financial statements is available to the public at www.sdrs.sd.gov.

9. SPECIAL PAY PLAN

The State of South Dakota (through South Dakota Retirement System) offers the Special Pay Plan (SPP) that 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% 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. A copy of the South Dakota Retirement System financial statements is available to the public at www.sdrs.sd.gov.

10. FUND BALANCES AND NET POSITION

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, 2016, (expressed in thousands):

	<u>General</u>	<u>Trans- portation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable							
Inventory	\$ 2,710	\$ 19,181	\$ 45	\$	\$	\$ 2,263	\$ 24,199
Prepays	1,483	243	71			1,177	2,974
Permanent Fund Principal					358,321	131,224	489,545
Total Non-Spendable Fund Balances	<u>4,193</u>	<u>19,424</u>	<u>116</u>	<u>0</u>	<u>358,321</u>	<u>134,664</u>	<u>516,718</u>
Restricted							
Education				294,572	131,382	9,573	435,527
Health and Public Assistance						56,600	56,600
Law, Justice, and Public Protection						18,957	18,957
Economic Development	2,619					42,888	45,507
Transportation		135,430					135,430
Agriculture and Natural Resources						93,092	93,092
Energy Conservation or Development						11,646	11,646
Game and Fish						14,169	14,169
Parks and Recreation						8,831	8,831
Public Buildings						416	416
Public Broadcasting						435	435
Railroads						31,774	31,774
Debt Service						30,747	30,747
Capital Projects						5,842	5,842
Other	5,765					7,479	13,244
Total Restricted Fund Balances	<u>8,384</u>	<u>135,430</u>	<u>0</u>	<u>294,572</u>	<u>131,382</u>	<u>332,449</u>	<u>902,217</u>
Committed							
Education						246	246
Health and Public Assistance						4,367	4,367
Law, Justice, and Public Protection						12,812	12,812
Agriculture and Natural Resources						6,722	6,722
Environmental Cleanup						2,447	2,447
Energy Conservation or Development						4,250	4,250
Public Buildings						4,982	4,982
Railroads						502	502
Other						7,324	7,324
Total Committed Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,652</u>	<u>43,652</u>
Assigned							
Education	9,592					7,767	17,359
Higher Education	2,239						2,239
Health and Public Assistance	4,219		1,003			8,662	13,884
Law, Justice, and Public Protection	3,667					3,161	6,828
Agriculture and Natural Resources	1,645					2,118	3,763
Tourism Promotion	3,976						3,976
Public Buildings	13,026					3,322	16,348
Economic Development	11,566						11,566
Other	4,586					989	5,575
Total Assigned Fund Balances	<u>54,516</u>	<u>0</u>	<u>1,003</u>	<u>0</u>	<u>0</u>	<u>26,019</u>	<u>81,538</u>
Unassigned Fund Balances *	242,449					(5,048)	237,401
Total Fund Balances	<u>\$ 309,542</u>	<u>\$ 154,854</u>	<u>\$ 1,119</u>	<u>\$ 294,572</u>	<u>\$ 489,703</u>	<u>\$ 531,736</u>	<u>\$ 1,781,526</u>

* This amount includes \$113,380,000 of equity from the Budget Reserve established by the 1991 South Dakota Legislature and \$44,000,000 of equity from the General Revenue Replacement Fund established by the 2015 South Dakota legislature, as discussed further in the following paragraphs.

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 house 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, 2016, was \$113,380,000 and is reported as unassigned fund balance within the General Fund.

General Revenue Replacement Fund

House Bill 1050, passed during the 2015 legislative session, created the General Revenue Replacement Fund (GRRF). This fund is to be used to balance the General Fund annual budget due to an unforeseen revenue shortfall. Revenues deposited in the GRRF include unobligated General Fund cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, if the amount in the GRRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The balance in the GRRF at June 30, 2016, was \$44,000,000 and is reported as unassigned fund balance within the General Fund.

General Fund

GASB 54

Since the implementation of GASB 54 in FY11 twelve statutorily created funds no longer qualify as Special Revenue Funds and are required to be combined with the State's General Fund. As of June 30, 2016, the following equity balances are included within the State's General Fund in accordance with GASB 54 (expressed in thousands):

Fund Balance - June 30, 2016 as reported	\$ 309,542
Less: Statutorily Created Funds Combined with the General Fund	
Tourism Promotion - assigned for Tourism Promotion	3,976
Investment Council Operating - assigned for Other	1,580
Private Activity Bond - assigned for Other	916
Teen Court - assigned for Other	263
Proof of Concept - assigned for Economic Development	0
Economic Development - assigned for Economic Development	1,021
Local Infrastructure Improvement - assigned for Economic Development	5,518
Workforce Education - assigned for Education	2,940
Building South Dakota - assigned for Economic Development, Education, and Health and Public Assistance	9,158
Extraordinary Litigation Expense - unassigned	(661)
Legislative Contingency Fund - unassigned	1,000
Unclaimed Property - unassigned	29
Fund Balance - June 30, 2016 excluding GASB 54 combinations	<u>\$ 283,802</u>

The Immigrant Investor Program (EB-5 Program)

In evaluating the contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account should be reported in the State's General Fund. As of June 30, 2016, the following equity balance was included within the State's General Fund (expressed in thousands):

The Immigrant Investor Program (EB-5 Program):

Fund Balance - June 30, 2016 excluding GASB 54 combinations	\$ 283,802
Less: SDRC Funds Combined with the General Fund	
SDRC Indemnification Fund One Account - restricted for Economic Development	2,619
Fund Balance - June 30, 2016 excluding all combinations	<u>\$ 281,183</u>

Net Position Restricted by Enabling Legislation

The Government-wide Statement of Net Position reports \$1.51 billion of restricted net position for the primary government of which \$169.3 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 Position, the principal balance is shown as nonexpendable and the investment earnings remaining in these funds at June 30, 2016, is shown as expendable.

Education Enhancement Trust Fund. This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, monies from the Youth-at-Risk Fund and General Fund appropriations for scholarship purposes. 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, 2016, are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Education Enhancement Trust	\$ 131,382	\$ 358,321	\$ 489,703
Health Care Trust	42,560	85,631	128,191
Permanent	73	45,593	45,666
Total	\$ 174,015	\$ 489,545	\$ 663,560

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2016 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 21,418
Special Revenue:	
Law Enforcement Revolving	325
State Fire Suppression	3,521
Public Utilities Commission Federal	91
Railroad Administration	79
Revenue	872

11. COMMITMENTS

Construction and Other Commitments: At June 30, 2016, the Department of Transportation had contractual construction commitments of \$283,596,592 for various highway projects and maintenance commitments (including stockpile) of \$8,630,716. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes. Department of Transportation also had \$9,436,478.26 encumbered for contract maintenance.

The Department of Environment and Natural Resources had construction and other contractual commitments of \$137,781,766 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	\$ 61,228,506
Drinking Water State Revolving Fund	28,399,686
Water and Environment Fund Program	43,954,615
Federal Funds	4,198,959

The South Dakota Building Authority had contracts and other construction commitments of \$10,441,466.

The South Dakota Housing Development Authority had commitments to fund the Homeownership Program aggregating approximately \$71,291,152. 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 \$68,694,639. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, an employer's investment in South Dakota's future fee, and general appropriations. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
REDI Fund Loans	\$ 5,971,428
Community Development Block Grant (CDBG)	10,401,310
Future Fund Program	27,798,057
Energy Program Loans	1,429,008
SD Works Committee Approved	3,677,540
Economic Development Partnership Program	913,982
Local Infrastructure Improvement Program	3,134,563
Reinvestment Payment Program	14,292,816
Energy Efficiency Community Block Grant (EECDBG)	1,075,935

The South Dakota Science and Technology Authority had the following contractual commitments: \$4,482,500 for the installation and maintenance of a deep level pump system at the Homestake Mine, \$3,694,068 for the construction of the Sanford Lab Visitor center, \$999,334 for the Compact Acceleration System Performing Astrophysical Research project, \$778,381 for parking lot erosion control, reinforcements, repairs, and retaining wall, \$772,645 Yates Administration Building/Foundry roof and roof drain repairs, and \$1,825,866 Xenon procurement.

The South Dakota Soybean Research and Promotion Council had commitments of \$4,254,000 for projects related to soybean research, promotion, and other various activities aimed at enhancing consumer and producer awareness of soybeans and soybean related issues.

The South Dakota Corn Utilization Council had commitments of \$1,000,000 annually for 3 years beginning in fiscal year 2017 to be provided to a foundation.

The South Dakota Wheat Utilization, Research, and Market Development Commission had commitments of \$1,572,812 for projects relating to research, promotion, and other various activities aimed at enhancing producer awareness of wheat and wheat related issues.

The South Dakota Board of Regents had construction commitments of \$72,844,298.

The Department of Agriculture had one financial commitment totaling \$1,244,884 related to the construction of the 4H Exhibit Hall on the grounds of the State Fair.

The Department of Corrections had a contractual commitment with Adani Systems for the purchase and installation of five full body scanners for a total purchase price of \$817,000. The equipment will be funded through General Fund and Other Funds.

The Department of Game, Fish, & Parks had financial commitments totaling \$16.5 million for capital development projects that will be completed throughout Fiscal Year 2017 and Fiscal Year 2018. Department generated funds and multiple federal funding sources will be used to meet the required obligations.

The Department of Revenue had contractual commitments with Intellectual Technology, Inc. for the State of South Dakota centralized production and distribution of license plates. Contract period is 09/01/2015 through 09/01/2025. The total contract amount shall not exceed \$12,625,343 for every five years of the term. For Fiscal Year 2017, approximately \$1.5 million - \$2.0 million will be expended, depending on license plate production.

The Department of Social Services had contractual commitments of \$76,717,444.

The Department of Tourism had contractual commitments of \$9.4 million for public relations and advertising consulting. Contracts will run through fiscal year 2017, and the financing for these commitments will be from tourism promotion tax revenue.

Executive Management had purchase commitment of \$1,442,445. There were also maintenance and repair commitments of \$3,699,569 for projects with the Mike Durfee State Prison and the South Dakota Women's Prison.

The South Dakota Retirement System had computer software development contracts pertaining to the completion of the RETAPP project with a balance of \$700,000.

The Department of Health had commitments of \$13,638,504.89 for projects related to building and maintenance of several systems, consultant supplying information technology services, clerical support, and other various activities aimed at tobacco prevention and control.

The Department of Public Safety had the following contractual commitments: \$3,223,485 for the building and maintenance of a GIS database for the use with the State's next generation 9-1-1 system, \$27,411,898 for the design and maintenance of a next generation 9-1-1 Internet Protocol based system, \$525,116 with the City of Pierre to provide all public safety communications for central State Radio Communications district, \$1,231,504 to teach Basic Rider, Experience Rider, and other motorcycle courses.

The Department of Education had contractual commitments of \$32,214,831 and grant obligations of \$39,453,585.

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 \$21,418,235 at June 30, 2016. The Workers' Compensation Fund liability at June 30, 2016, and the changes to the liability during fiscal years ended June 30, 2016, and 2015 listed on the following page were as follows (expressed in thousands):

	<u>FY2016</u>	<u>FY2015</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 25,951	\$ 24,322
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	5,177	4,814
Changes in provision for insured events of prior fiscal years	<u>(1,350)</u>	<u>206</u>
Total incurred claims and claim adjustment expenses	<u>3,827</u>	<u>5,020</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,117	986
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>2,720</u>	<u>2,405</u>
Total payments	<u>3,837</u>	<u>3,391</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 25,941</u>	<u>\$ 25,951</u>

B. Health Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance. However, an insurance carrier 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. Effective January 1, 2014, the life insurance program switched from being self-insured to a fully insured product. 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. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included.

The health insurance program liability at June 30, 2016, and the changes to the liability during fiscal years ended June 30, 2016, and 2015 were as follows (expressed in thousands):

	Health Insurance	
	FY2016	FY2015
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 14,305	\$ 14,055
Incurred claims and claim adjustment expenses	105,673	108,813
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	93,298	94,508
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	14,305	14,055
Total payments	107,603	108,563
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 12,375	\$ 14,305

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. In FY2016 the State purchased reinsurance for claims costs over \$500,000 with 100% of the remaining \$500,000. 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 2016, \$6,749,495 of the net assets balance in the PEPL Fund was designated for future catastrophic losses.

The PEPL Fund liability at June 30, 2016, and the changes to the liability during fiscal years ended June 30, 2016, and 2015 were as follows (dollars expressed in thousands):

	FY2016	FY2015
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 3,848	\$ 5,407
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	973	910
Changes in provision for insured events of prior fiscal years	796	(1,532)
Total incurred claims and claim adjustment expenses	1,769	(622)
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	213	236
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	879	701
Total payments	1,092	937
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 4,525	\$ 3,848

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. Prior to April 13, 2015, the State was 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. On April 13, 2015, additional insurance was purchased resulting in the majority of all State buildings being covered. Beginning October 1, 2015, the South Dakota Property and Casualty Insurance Company, a component unit of the State of South Dakota, started providing property, including content, business income, and extra expense coverage on the State's buildings.

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, 2016 (expressed in thousands):

Year Ending June 30	Primary Government	Component Units
2017	\$ 7,383	\$ 2,987
2018	7,084	2,165
2019	6,574	1,768
2020	5,885	1,604
2021	5,327	1,517
2022-2026	14,831	4,393
2027-2031	4,126	137
2032-2036	854	
2037-2041	26	
Total Minimum Payments	\$ 52,090	\$ 14,571

The total rental expenses for all operating leases for the fiscal year ended June 30, 2016, was \$15,122,209 for the primary government and \$3,531,150 for component units.

14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2016, and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities *					
Revenue Bonds	\$ 165,168	\$	\$ (16,125)	\$ 149,043	\$ 15,303
Add Unamortized Premium	9,596		(792)	8,804	790
Net Revenue Bonds	174,764		(16,917)	157,847	16,093
Trust Certificates	570		(290)	280	280
Compensated Absences	58,319	40,749	(39,048)	60,020	31,981
Policy Claims Liability	3,848	1,769	(1,092)	4,525	1,697
Workers Compensation	25,955	3,828	(3,837)	25,946	3,579
Capital Leases	116,352	6,119	(6,182)	116,289	6,712
Pollution Remediation Obligation	14,986		(554)	14,432	250
Escheat Property	28,482	17,152	(19,302)	26,332	14,298
Total Governmental Activities	\$ 423,276	\$ 69,617	\$ (87,222)	\$ 405,671	\$ 74,890
Business-type Activities					
Revenue Bonds	\$ 243,470	\$	\$ (14,825)	\$ 228,645	\$ 15,800
Add Unamortized Premium	20,348		(1,141)	19,207	1,140
Net Revenue Bonds	263,818		(15,966)	247,852	16,940
Other Noncurrent Liabilities	662	1,091	(586)	1,167	1,167
Compensated Absences	1,604	982	(900)	1,686	902
Total Business-type Activities	\$ 266,084	\$ 2,073	\$ (17,452)	\$ 250,705	\$ 19,009
Component Units					
Revenue Bonds	\$ 1,568,986	\$ 208,085	\$ (257,325)	\$ 1,519,746	\$ 58,258
Less Unamortized Discount	(236)			(236)	11
Add Unamortized Premium	36,781	8,649	(4,562)	40,868	1,787
Net Revenue Bonds	1,605,531	216,734	(261,887)	1,560,378	60,056
Compensated Absences	40,566	15,420	(14,791)	41,195	13,893
Capital Leases	3,077	2,845	(2,080)	3,842	1,227
Rural Development Loans	1,870	225	(109)	1,986	110
Federal Portion of Perkins Loan Program	38,606	252		38,858	
Advances from Primary Government	23,689	314	(872)	23,131	1,025
Total Component Units	\$ 1,713,339	\$ 235,790	\$ (279,739)	\$ 1,669,390	\$ 76,311

*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 pollution remediation obligations will be liquidated by the Petroleum Release Compensation Fund and the Department of Environment 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, 2016 (dollars expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
1996A	2016	5.95%	\$ 1,223
2006A	2016	4.25%	470
2008	2034	4.250% - 5.000%	1,535
2010B	2035	3.550% - 6.200%	4,595
2010C	2031	4.050% - 5.850%	3,190
2010D	2019	2.750% - 3.250%	354
2013D	2038	1.747% - 5.769%	4,200
2014A	2029	4.000% - 5.000%	1,705
2014D	2026	4.500% - 5.000%	6,179
2014E	2027	4.000% - 5.000%	3,657
2015A	2030	1.000% - 4.013%	10,845
Add Unamortized Premium			1,869
Total Bonds			39,822
Trust Certificate Series:			
1991A	2016	6.750000%	280
Total Trust Certificates			280
Total			\$ 40,102

As of June 30, 2016, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2017	\$ 3,648	\$ 4,388	\$ 8,036
2018	2,212	1,534	3,746
2019	2,257	1,459	3,716
2020	2,335	1,375	3,710
2021	2,339	1,287	3,626
2022 - 2026	13,208	4,859	18,067
2027 - 2031	9,174	2,010	11,184
2032 - 2036	2,455	582	3,037
2037 - 2041	605	53	658
Total	\$ 38,233	\$ 17,547	\$ 55,780

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, 2016 (dollars expressed in thousands):

<u>Bond Series:</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
2013A	2022	1.906% - 3.539%	\$ 64,455
2013B	2027	5.00%	46,635
Add Unamortized Premium			6,935
Total			\$ 118,025

As of June 30, 2016, 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>
2017	\$ 11,935	\$ 4,259	\$ 16,194
2018	11,500	4,031	15,531
2019	10,900	3,783	14,683
2020	10,600	3,398	13,998
2021	10,300	3,023	13,323
2022-2026	48,815	9,006	57,821
2027	7,040	352	7,392
Total	\$ 111,090	\$ 27,852	\$ 138,942

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. This financial presentation does not change the legal liability of the indebtedness.

The following is a schedule of outstanding bonds as of June 30, 2016 (dollars 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
2010AB	2030-2031	4.084%-5.646%	44,760
2012AB	2027-2033	.25%-5.00%	74,320
2014AB	2020-2035	.30%-5.00%	47,030
Add Unamortized Premium			16,616
Total			182,826
Drinking Water State Revolving Fund			
2010AB	2030-2031	2.00%-5.646%	28,010
2012AB	2023-2027	.25%-5.00%	24,430
2014AB	2020-2035	.30%-5.00%	9,995
Add Unamortized Premium			2,591
Total			65,026
Total Revenue Bonds			\$ 247,852

As of June 30, 2016, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Clean Water State Revolving Fund			
2017	\$ 9,875	\$ 6,932	\$ 16,807
2018	10,125	6,642	16,767
2019	10,255	6,310	16,565
2020	9,585	5,972	15,557
2021	8,730	5,647	14,377
2022-2026	53,740	21,902	75,642
2027-2031	44,160	10,170	54,330
2032-2035	19,740	1,677	21,417
Total	166,210	65,252	231,462
Drinking Water State Revolving Fund			
2017	5,925	2,174	8,099
2018	6,075	2,023	8,098
2019	6,255	1,854	8,109
2020	5,850	1,685	7,535
2021	4,215	1,537	5,752
2022-2026	20,465	5,404	25,869
2027-2031	11,965	1,849	13,814
2032-2035	1,685	174	1,859
Total	62,435	16,700	79,135
Total	\$ 228,645	\$ 81,952	\$ 310,597

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, 2016 (dollars expressed in thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Home-Ownership Mortgage Program	2016-2046	.07%-6.25%	
Serial Bonds			\$ 238,795
Term Bonds			555,206
Add Unamortized Premium			10,952
Total			<u>804,953</u>
Single Family Mortgage Revenue Bonds	2016-2041	2.125%-5.00%	
Serial Bonds			33,785
Term Bonds			147,720
Add Unamortized Premium			884
Total			<u>182,389</u>
Multiple Purpose Bonds	2016-2048	.59%-3.65%	
Serial Bonds			6,065
Term Bonds			14,920
Total			<u>20,985</u>
Multifamily Housing Revenue Bonds			
Term Bonds	2016-2044	.42%-6.15%	<u>23,565</u>
Multifamily Risk Sharing Bonds			
Term Bonds	2016-2040	5.35%-5.85%	<u>9,415</u>
Total Bonds			<u>\$ 1,041,307</u>

As of June 30, 2016, 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>
2017	\$ 36,933	\$ 30,165	\$ 67,098
2018	42,885	29,693	72,578
2019	41,795	28,668	70,463
2020	38,475	27,666	66,141
2021	37,455	26,702	64,157
2022-2026	162,810	118,515	281,325
2027-2031	199,345	91,406	290,751
2032-2036	198,150	57,256	255,406
2037-2041	140,870	29,220	170,090
2042-2046	127,593	7,991	135,584
2047-2051	3,160	67	3,227
Total	<u>\$ 1,029,471</u>	<u>\$ 447,349</u>	<u>\$ 1,476,820</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, 2016, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$1,140,000.

The following is a schedule of outstanding bonds as of June 30, 2016 (dollars expressed in thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
2013A	2021-2033	1.65%-5.80%	\$ 9,120
Total			\$ 9,120

As of June 30, 2016, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 380	\$ 460	\$ 840
2018	385	454	839
2019	395	446	841
2020	405	433	838
2021	420	420	840
2022-2026	2,410	1,789	4,199
2027-2031	3,180	1,022	4,202
2032-2033	1,545	136	1,681
Total	\$ 9,120	\$ 5,160	\$ 14,280

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 2016 equaled \$31,304,794.

Following are revenue bonds outstanding at June 30, 2016 (dollars expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
School of Mines and Technology			
2008	2028	4.550%	\$ 3,000
2009	2039	4.875%-6.250%	8,690
2014A	2039	4.000%-5.000%	6,505
2014B	2029	4.000%-5.000%	5,890
Less Unamortized Discount			(19)
Add Unamortized Premium			1,034
University of South Dakota			
2009	2039	4.875%-6.250%	38,335
2013	2028	2.000%-5.000%	10,120
2015	2030	3.000%-5.000%	9,325
Less Unamortized Discount			(159)
Add Unamortized Premium			2,200
South Dakota State University			
2006	2026	3.920%	4,770
2009	2039	4.875%-6.250%	27,310
2011	2031	3.625%-5.000%	53,035
2014A	2025	4.000%-5.000%	19,720
2015	2030	3.000%-5.000%	1,870
Less Unamortized Discount			(56)
Add Unamortized Premium			4,733
Northern State University			
2008	2038	4.550%	795
2009	2039	4.875%-6.250%	1,140
2011	2031	3.625%-5.000%	5,185
2014B	2029	4.000%-5.000%	3,325
Less Unamortized Discount			(2)
Add Unamortized Premium			730
Dakota State University			
2007	2029	3.880%	285
2008	2028	3.880%	3,280
2014B	2029	4.000%-5.000%	1,415
2015	2030	3.000%-5.000%	10,920
Add Unamortized Premium			1,806
Black Hills State University			
2006	2026	3.920%	780
2007	2029	3.880%	5,980
2014A	2039	4.000%-5.000%	9,410
2014B	2029	4.000%-5.000%	1,555
Add Unamortized Premium			662
Total			<u>\$243,569</u>

As of June 30, 2016, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2017	\$ 10,315	\$ 11,585	\$ 21,900
2018	10,860	11,159	22,019
2019	11,280	10,681	21,961
2020	11,750	10,164	21,914
2021	12,240	9,591	21,831
2022-2026	66,115	38,342	104,457
2027-2031	54,190	22,871	77,061
2032-2036	45,190	9,405	54,595
2037-2041	10,700	1,276	11,976
Total	\$ 232,640	\$ 125,074	\$ 357,714

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 South Dakota 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, 2016 (dollars expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
2006A	2016	4.25%	\$ 95
2008	2033	4.250%-5.000%	32,320
2009	2034	5.500%-6.760%	10,855
2010A	2027	3.550%-5.650%	7,785
2010B	2035	3.550%-6.200%	8,970
2010D	2019	2.750%-3.250%	116
2011	2026	3.000%-5.000%	9,395
2011A	2026	3.000%-5.000%	6,265
2012A	2028	1.500%-5.000%	7,590
2013B	2038	4.000%-5.000%	67,340
2013C	2018	1.747%-2.197%	4,475
2014A	2039	4.000%-5.000%	33,910
2014B	2029	5.00%	5,250
2014C	2020	1.000%-2.400%	5,575
2014D	2026	4.500%-5.000%	1,236
2014E	2032	4.000%-5.000%	28,703
2014F	2032	1.550%-4.700%	7,970
2015B	2040	3.000%-5.000%	10,665
Add Unamortized Premium			17,866
Total Revenue Bonds			\$ 266,381

As of June 30, 2016, debt service requirements for principal and interest for the South Dakota Building Authority (Higher Education portion) were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2017	\$ 10,630	\$ 11,813	\$ 22,443
2018	10,923	11,483	22,406
2019	11,173	11,109	22,282
2020	11,625	10,626	22,251
2021	11,551	10,116	21,667
2022-2026	64,937	41,825	106,762
2027-2031	64,991	25,852	90,843
2032-2036	45,705	10,323	56,028
2037-2041	16,980	1,606	18,586
Total	\$ 248,515	\$ 134,753	\$ 383,268

Capital Leases

The State has entered into various agreements to lease buildings, vehicles, and equipment. GASB standards require 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, 2016 (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Component Units
2017	\$ 11,978	\$ 1,440
2018	11,740	1,262
2019	10,698	867
2020	9,397	111
2021	8,663	111
2022-2026	35,320	553
2027-2031	33,675	387
2032-2036	32,457	
2037-2041	27,668	
2042-2046	17,412	
2047-2049	4,517	
Total Minimum Lease Payments	203,525	4,731
Less: Amount Representing Interest	87,236	890
Present Value of Net Minimum Lease Payments	\$ 116,289	\$ 3,841

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, 2016, are as follows (expressed in thousands):

	Governmental Activities
Buildings	\$ 115,453
Equipment	4,115
Vehicles	22,931
Total	142,499
Less: Accumulated Depreciation	28,123
Total, Net	\$ 114,376

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, 2016, there were 119 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2016, could not be determined; however, the original issue amount totaled \$21,576,832.

As of June 30, 2016, there were 5 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2016, could not be determined; however, the original issue amount totaled \$8,592,500.

As of June 30, 2016, there were 17 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2016, could not be determined; however, the original issue amount totaled \$13,563,490.

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, 2016, 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, 2016, the aggregate amount of stand-alone bond principal outstanding was \$7,785,142. The original issue amount of stand-alone bonds totaled \$22,840,000.

Refunded and Defeased Bonds

1. South Dakota Housing Development Authority

In June 2016, the Authority issued \$44,680,000 of fixed rate Homeownership Mortgage Bonds, 2016 Series A. The 2016 Series A Bonds, totaling \$44,680,000 were used to refund \$44,680,000 of Homeownership Mortgage Bonds, 2006 Series C (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$22.9 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2016 Series A Bonds and the Refunded Bonds, net of cost of issuance and negative arbitrage, will result in an economic gain of approximately \$7.2 million.

2. Higher Education and South Dakota Board of Regents

In December 2015, the South Dakota Board of Regents (SDBOR) issued \$22,525,000 in Revenue Bonds Series 2015 to refund the remaining Series 2005A bonds and fund additional student housing and student union projects. The refunding portion with an average interest rate of 4.66 percent was used to refund \$2,220,000 of outstanding South Dakota State University (SDSU) Series 2005A Bonds with an average interest rate of 4.835 percent and \$9,725,000 of outstanding University of South Dakota (USD) Series 2005A Bonds with an average interest rate of 4.83 percent. The purpose of the refunding was to reduce the SDBOR borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by \$426,377. This resulted in a present value savings on the SDSU bonds of \$300,319 and the USD bonds of \$1,365,433.43. The net refunding portion of \$12,107,844 (after payment of \$296,008 in underwriting fees and other issuance costs), which includes an additional \$230,000 from USD and \$52,500 from SDSU accounts was deposited in trust with an escrow agent to provide for the current refunding of the Series 2005A bonds.

Pollution Remediation Obligations

The State has pollutions remediation obligation liabilities as of June 30, 2016, of \$14,432,326.

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 (EPA) 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 \$177 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site or \$17.7 million. The State has already spent approximately \$6.3 million with a remaining outstanding liability as of June 30, 2016 of \$11,450,026. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.6 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 \$8.1 million from the cash reclamation bond deposited by Brohm and \$8.7 million in a cash settlement as of June 30, 2016. 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.

On September 9, 2016, the EPA awarded a contract for remedial action cleanup at the mine in the amount of \$19.6 million. In December 2016, the State received verbal communication that the EPA was willing to pay for the entire contract using settlement money the EPA received from previous settlements with mining companies. Since the EPA will use settlement money and not federal funds for the remedial action cleanup, the State may not be required to provide the 10% match for this contract. This could decrease our June 30, 2016, total estimated liability by \$1.96 million.

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 were established under SDCL 34A-13. As of June 30, 2016, PRCF was currently involved with 30 active cases, 25

active/monitoring cases, and 8 pending cases (spill report not yet filed), for a total of 63 cases. The estimated cost remaining for sites that have received at least one payment is \$282,300, the estimated cost for sites that haven't received any payments is \$2,100,000 and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2016, for this program is \$2,982,300. The cash balance in the PRCF on June 30, 2016, is \$2,054,582.

15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented in natural classifications. The following table presents those same expenses in functional classifications for Higher Education (excluding Foundations) as of June 30, 2016, as recommended by NACUBO (expressed in thousands):

Function	Personal		Contractual	Supplies & Non-	Grants &	Interest &	Depreciation	Total
	Services	Travel		Capitalized		Other		
				Equipment	Subsidies	Expenses		
Instruction	\$ 171,943	\$ 4,430	\$ 15,995	\$ 9,464	\$ 1,786	\$	\$ 4,906	\$ 208,524
Research	41,490	2,896	7,124	9,335	8,886	1	4,922	74,654
Public Service	25,973	1,399	6,782	4,939	1,729		264	41,086
Academic Support	40,011	1,008	7,174	6,185	9	148	1,920	56,455
Student Services	34,296	6,961	8,125	6,080	378	1	1,003	56,844
Institutional Support	44,052	1,088	19,233	3,995	4,101	1,062	1,050	74,581
O&M of Plant	21,513	244	14,078	8,749	1		30,357	74,942
Scholarships and Fellowships	1,221	12	4	214	21,596	128		23,175
Auxilliary Enterprises	11,037	130	34,345	12,485	203	5	1,805	60,010
Other						172	669	841
Total	\$ 391,536	\$ 18,168	\$ 112,860	\$ 61,446	\$ 38,689	\$ 1,517	\$ 46,896	\$ 671,112

16. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2016, the State provided \$20,586,000 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 Position.

17. RELATED PARTY TRANSACTIONS

The South Dakota Development Corporation (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 is formed as a partnership between the SDDC and the GOED. GOED has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. GOED provides these services out of GOED funds. The purpose of the SBA's 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. The 504 loans awarded during FY2016 were \$3,466,000. Funding for these loans came from the SBA. In addition, the SDDC has approved loans totaling \$876,057 for the Microloan Program as of June 30, 2016.

The Enterprise 605, Inc. (E605) is a South Dakota non-profit corporation created for the purpose of promoting economic interests and economic development in the State of South Dakota by fostering entrepreneurship opportunities, the expansion of businesses, and supporting the growth and development of business concerns in South Dakota. E605 accomplishes this through education, informing public opinion germane to economic development in South Dakota, an internship program focused on economic development, and providing financial support to South Dakota businesses or businesses who plan to do business in South Dakota. The primary goal of the E605 is to provide investment growth capital to early stage South Dakota companies that have proven their business concept is commercially viable, but are not yet established enough to attract the interest of venture capitalists. GOED has agreed to provide certain staff services and related support for E605's programs and will provide these services out of GOED funds. GOED has pledged \$7,000,000 in Future Funds to support the mission of E605. As of June 30, 2016, \$3,000,000 of the grant dollars have been disbursed to E605.

The Department of Education (DOE) has contracts with and provides grants to Mid Central Educational Cooperative (MCEC) and Black Hills Special Services Cooperative (BHSSC). Both entities operate as Education Service Agencies (ESA) as provided in SDCL 13-5-31. The ESA may provide academic educational resources, human resources, special education services, payroll services, cooperative purchasing, workers' compensation, group health insurance, and other services deemed appropriate by a majority vote of the governing board and in keeping with the laws of the State of South Dakota. During fiscal year ending June 30, 2016, MCEC and BHSSC employees held positions as members of the South Dakota Board of Education. The South Dakota Board of Education's authority includes the promulgation of rules pursuant to chapter 1-26 to establish standards for the classification and accreditation of schools within this state, to establish standards for preparation of certified personnel, to set forth procedures for determining the eligibility of school districts to receive state aid to education funding, to adopt policies and rules necessary to establish standards and procedures for career and technical education, and to establish curriculum requirements for a recommended high school program for all public and nonpublic schools within the state. The board does not have budget or grant approval authority. Total contract and grant payments to MCEC and BHSSC for the fiscal year are \$2,834,159 and \$3,203,922 respectively.

The following transactions occurred between discretely presented component units and between the State and discretely presented component units.

The South Dakota Ellsworth Development Authority (SDEDA) was created by Chapter 1-16J of the South Dakota Codified Laws for the purpose of protecting and promoting the economic impact of Ellsworth Air Force Base and associated industry, and to promote the health and safety of those living or working near the base. At June 30, 2016, the SDEDA has loans payable to the State Department of Environment and Natural Resources for \$1,450,169 and to the Clean Water State Revolving Fund for \$21,768,501. Proceeds from the loans provided financing for the construction of the waste water treatment plant. SDEDA has pledged future user charges as security under various loan agreements.

The South Dakota Housing Development Authority (SDHDA) was created in 1973 by an Act of the South Dakota Legislature as a body politic and corporate, and an independent public instrumentality for the purpose of encouraging the investment of private capital for the construction and rehabilitation of residential housing to meet the needs of persons and families in the state. SDHDA has a note receivable of \$1,620,404 from the South Dakota Ellsworth Development Authority (SDEDA), another component unit of the State of South Dakota. The note receivable is based on funding through the Neighborhood Stabilization Program (NSP) which is a non-interest bearing note that will be forgiven in 2033 if restrictive covenants related to providing low income housing are maintained for the 20 year duration.

The South Dakota Science and Technology Authority (SDSTA) was created and organized by Chapter 1-16H of the South Dakota Codified Laws. The purposes of SDSTA are to foster and facilitate scientific and technology, investigation, experimentation, and development by creating a mechanism through which laboratory, experimental, and development facilities may be acquired and operated. SDSTA has various agreements with the other State component units and agencies that include:

The SDSTA received a \$2.0 million Future Fund grant from the State to remodel Jonas Hall located on the campus of Black Hills State University. The Jonas Hall remodel was completed during fiscal year 2016.

A contract with the South Dakota School of Mines and Technology to be the lead institution for the accelerator project known as Compact Acceleration System Performing Astrophysical Research (CASPAR) for \$999,334 and extends into fiscal year 2017.

An agreement with the Governor's Office of Economic Development (GOED) whereby the State is granting up to \$6,000,000 between July 14, 2015, and September 30, 2018. The State has chosen to engage in a public-private partnership with SDSTA, the South Dakota Community Foundation and other private foundations to assist with the costs of infrastructure and laboratory upgrades, procurement of xenon for experiments, and interest payments.

The SDSTA, along with the South Dakota Bureau of Administration, and five additional South Dakota Authorities, signed an agreement on June 1, 2015 to form a captive insurance company to insure against certain risks. \$2,500,000 was repurposed in August 2015 from a portion of the \$10,000,000 Indemnification Fund held by the SDSTA. The funds will be used to provide initial capital and pay expenses for the SDSTA's purposes in the captive insurance company per HB 1186 of the 2015 Legislative Session.

18. SUBSEQUENT EVENTS

Department of Energy and Natural Resources

On October 25, 2016, the U.S. District Court approved an agreement between consumers, the government, California regulators, and Volkswagen in a written ruling. This settlement partially resolves allegations that Volkswagen violated the federal Clean Air Act by the sale of approximately 475,000 model year 2009 to 2015 motor vehicles containing 2.0 liter diesel engines equipped with "defeat devices" which cheated federal emission tests. As a result of the settlement, each state in which these vehicles were sold is eligible for an allocation of the settlement for mitigating these excess NOx emissions. For South Dakota, the amount of \$7,500,000 is to be used for remediating the excess NOx emissions in the state from the affected 2.0 liter vehicles. Under the settlement, after a federal Trustee is appointed (which is called the Trust Effective Date), the Governor has 60 days to file with the Court a single Certification Form. Not later than 120 days after the Trust Effective Date, the Trustee shall file with the Court a notice stating if South Dakota's Certification Form is accepted as a Beneficiary. Not later than 90 days after being deemed a Beneficiary, South Dakota must submit a Beneficiary Mitigation Plan that requires public input. It is anticipated the Department of Energy and Natural Resources (DENR) will be responsible for gathering public input and drafting the Beneficiary Mitigation Plan. Upon being deemed a Beneficiary, South Dakota has the right to request Eligible Mitigation Action funds up to one-third of the State's allocation during the first year and up to two-thirds during the first two years.

Higher Education and the South Dakota Board of Regents

In December of 2016, the South Dakota Board of Regents issued \$19,625,000 of Housing and Auxiliary Facilities System Revenue Bonds, Series 2016. The bonds were issued to (i) pay the costs of building student housing at Northern State University, (ii) pay the costs of additions and renovations of the Wellness Center at South Dakota State University, and (iii) pay certain expenses incident to the issuance of the Series 2016 Bonds.

South Dakota Housing Development Authority

On November 1, 2016, the Authority issued \$53,660,000 of Single Family Mortgage Bonds 2016 Series 1. The bonds will mature May 1, 2017 through November 1, 2041.

On November 15, 2016, the Authority issued \$38,115,000 of Homeownership Mortgage Bonds 2016 Series C with maturities' from November 1, 2017 to November 1, 2025, \$79,500,000 of Homeownership Mortgage Bonds Series D with maturities' from May 1, 2017 to November 1, 2046, and \$50,000,000 of Homeownership Mortgage Bonds 2016 Series E, with a maturity of May 1, 2037.

South Dakota Value Added Finance Authority

In November and December of 2016, the South Dakota Value Added Finance Authority (SDVAFA), a discretely presented component unit, issued two Beginning Farmer Bonds in the amount of \$491,000 and \$448,000 respectively. These bonds were issued as part of the South Dakota Beginning Farmer Bond Program. The Program enables lenders, individuals, partnerships, corporations, and other entities (herein referred to as the "Bond Purchaser") to receive federally tax-exempt interest with respect to a loan or contract sale made to qualified applicants. A loan made under the Program is funded solely from the bond sold to the Bond Purchaser. The loan and its collateral will be assigned to the Bond Purchaser as security for the bond. The principal and interest on the bonds do not constitute an indebtedness of the State of South Dakota.

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. The outcomes of these lawsuits could have an impact on 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, 2016 are as follows:

In Re: 2004 NPM Adjustment Proceedings

In 1998, the largest tobacco manufacturers and the states entered into the Master Settlement Agreement (MSA). Under the terms of the MSA, South Dakota receives approximately \$23 million per year in exchange for diligently enforcing its tobacco enforcement statutes, including against tobacco companies that are not part of the MSA. In 2002 and again in 2013 South Dakota securitized its annual payments from the MSA. The tobacco companies are alleging that all of the states failed to diligently enforce their tobacco statutes in 2004. The MSA requires a neutral arbitration panel to determine if a state diligently enforced its statutes. The process to arbitrate that issue has been started. If it is found that South Dakota did not diligently enforce the statutes in 2004, the State would need to repay the \$23 million it received for 2004. The State intends to assert that all statutes were diligently enforced. If the decision is unfavorable, it could have a material impact on the State's Tobacco Securitization Debt Service Fund.

Long, et al v. State of South Dakota

The owners of five properties upstream from the South Dakota Department of Transportation's Highway 11 project in Lincoln County sued the Department in 2010, alleging the Department's handling of drainage in connection with the project resulted in a compensable damaging of their properties under the State constitution. The circuit court in Minnehaha County, the Honorable Judge Reipel presiding, concluded on June 24, 2014, that there had been a compensable damaging of the properties and a jury subsequently awarded the landowners a total of \$1,297,505.90, plus post-judgment interest. The Department appealed to the South Dakota Supreme Court. The plaintiff landowners have appealed the trial court's refusal to award attorney and expert fees as a separate item of compensation. Oral argument on all appeal issues occurred on January 12, 2016. If the decision is unfavorable, compensation would be paid out of the State Highway Fund.

Oglala Sioux Tribe and Rosebud Sioux Tribe et al v. State of South Dakota Department of Social Services

This case was filed on March 21, 2013. Plaintiffs are challenging the procedures of the South Dakota Department of Social Services in emergency removal hearings, claiming violations of constitutional rights and of the Indian Child Welfare Act. The State has filed a Motion to Dismiss which was denied by the court in January 2014. On March 30, 2015, the Court ruled in favor of the Plaintiffs on a partial summary judgment motion. All Defendants have filed Motions to Reconsider as of May 20, 2015. There are many motions pending for this case. The State is vigorously defending this case. If this matter has an unfavorable outcome, there will be considerable costs for discovery

expenses, travel, and attorney fees totaling over \$1,000,000. This case is being run through the State Office of Risk Management Extraordinary Litigation Fund which is reported as part of the State's General Fund.

South Dakota v. BP, et al

South Dakota Petroleum Release Compensation Fund, administered by the South Dakota Department of Environment and Natural Resources, brought claims against BP defendants for claims of fraud, misrepresentation, violations of their subrogation agreements, unjust enrichment, and is claiming that BP has strict liability under SDCL 34A-2-96, for the remediation of its environmental contamination at all of its divested former petroleum fuel dispensing facilities that were owned, operated, leased, controlled, distributed, and supplied by defendant in the state. South Dakota is seeking damages that total in a range of \$79,620,991 to \$89,620,991 in addition to punitive damages. Judge Barnett of the Sixth Judicial Circuit Court has vacated the scheduling order in this case until discovery is completed.

State v. SDRC, Inc.

On October 16, 2015, the State of South Dakota filed a Complaint against SDRC, Inc. in the Circuit Court of the Sixth Judicial Circuit, Hughes County, South Dakota, relating to the State's Contract with SDRC, Inc. to operate the South Dakota Regional Center under the federal EB-5 program. The Complaint seeks indemnification from SDRC for approximately \$175,000 in expenses the State incurred, specific performance by SDRC of its obligations relating to indemnification fund accounts benefiting the State, and other non-monetary relief. On November 20, 2015, SDRC, Inc. filed an Answer and Counterclaim against the State alleging a variety of contract and tort claims, and sought \$1,500,000 in damages. The State filed a Motion to Dismiss the Counterclaim on February 1, 2016, and believes a dismissal is likely. The State filed an accompanying Motion for Summary Judgment on April 27, 2016, regarding the counterclaims, and believes that, should the Motion to Dismiss the Counterclaim fail, the State is still likely to prevail on its summary judgment motion. The State will likely seek indemnification from SDRC, Inc. for any costs and expenses related to the State's defense of this action. Counsel cannot offer an opinion at this time on the risk of unfavorable outcome. If the outcome is unfavorable, any amounts not covered by insurance and indemnification funds maintained by SDRC could have a material impact on the State's General Fund.

LP6 Claimants LLC v. South Dakota Department of Tourism and State Development, South Dakota Governor's Office of Economic Development, South Dakota Department of Tourism, the State of South Dakota, et al.

On or about December 9, 2015, the class of plaintiffs known as "LP6 Claimants LLC" filed an Amended Complaint in the Circuit Court of the Sixth Judicial Circuit, Hughes County, South Dakota, against various state agencies and private, non-state defendants. As to the State and its agencies, the Complaint alleges fraud and aiding and abetting the private, non-state defendants in a breach of fiduciary duty to plaintiff's members. Plaintiffs allege \$18,550,000 in damages. On January 6, 2016, the State filed a Motion to Dismiss the Complaint, and believes a dismissal is likely. On January 8, 2016, the private, non-state defendants filed a Crossclaim against the State, seeking indemnification of their costs and expenses. The State filed a Motion to Dismiss the Crossclaim on January 27, 2016. A hearing on the State's Motion to Dismiss Complaint was held on March 10, 2016. A decision on the Motion to Dismiss remains pending. The State will likely seek indemnification from SDRC, Inc. for any costs and expenses related to the State's defense of this action. Counsel cannot offer an opinion at this time on the risk of unfavorable outcome. If the outcome is unfavorable, any amounts not covered by insurance and indemnification funds maintained by SDRC could have a material impact on the State's General Fund. Similar additional un-asserted claims may exist for other investors in the Northern Beef Packers project.

U.S. Department of Health and Human Services Claim

In December 2016, the State received verbal communication from the United States Department of Health and Human Services, Cost Allocation Services, that costs included in the State's fiscal year 2014 and 2015 Statewide Cost Allocation Plan could be unallowable and a refund of the federal funds that participated may be owed back to the Federal Government. The amounts have not been determined at this time and no provision for any liability that might result has been made in the basic financial statements, as management believes that such amounts, if any, are not material to the basic financial statements.

United States of America v. State of South Dakota Department of Social Services

On November 3, 2016, a lawsuit was filed in the U. S. District Court by the U. S. Department of Justice (DOJ) against the South Dakota Department of Social Services (DSS) alleging that DSS has engaged in a pattern or practice of discrimination against Native Americans in its hiring practices on the Pine Ridge Reservation in South Dakota. DSS intends to vigorously defend and denies any discrimination whatsoever in its hiring or retention practices on the Pine Ridge Reservation or elsewhere. The court has extended the scheduling order and all discovery must be completed by June 16, 2017. Counsel cannot offer an opinion at this time of the risk of unfavorable outcome. This case is being run through the State Office of Risk Management Extraordinary Litigation Fund which is reported as part of the State's General Fund.



REQUIRED SUPPLEMENTARY INFORMATION

The *Required Supplementary Information* includes the Budgetary Reporting and Pension Information. The following individual schedules 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
- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
RESOURCES (inflows) AVAILABLE FOR APPROPRIATION				
ONGOING RESOURCES				
Sales and Use Tax	\$ 868,924	\$ 867,031	\$ 860,905	\$ (6,126)
Lottery	108,027	109,480	110,057	577
Contractor's Excise Tax	101,007	103,224	101,496	(1,728)
Insurance Company Tax	81,039	83,354	84,795	1,441
Unclaimed Property Receipts	56,968	56,005	55,108	(897)
Licenses, Permits, and Fees	56,130	57,308	56,712	(596)
Tobacco Taxes	52,917	56,895	57,968	1,073
Trust Funds	33,225	33,147	33,147	0
Net Transfers In	17,243	18,331	20,665	2,334
Alcohol Beverage Tax	11,426	11,304	11,403	99
Bank Franchise Tax	10,858	7,794	10,513	2,719
Charges for Goods and Services	11,106	11,331	11,590	259
Telecommunications Tax	6,939	6,049	5,943	(106)
Severance Taxes	5,868	3,569	6,131	2,562
Sale-Leaseback	4,664	4,664	4,664	0
Investment Income and Interest	4,868	5,385	5,439	54
Alcohol Beverage 2% Wholesale Tax	1,908	1,847	1,851	4
TOTAL ONGOING	1,433,117	1,436,718	1,438,387	1,669
ONE-TIME RESOURCES				
Transfer from Department of Corrections	0	4,957	6,572	1,615
Transfer from State Vet's Home XIX share	0	3,500	0	(3,500)
Transfer from Petroleum Release Fund	0	3,375	3,500	125
Transfer from South Dakota Risk Pool	0	0	3,354	3,354
Unexpended Carryovers	0	0	225	225
Transfer from Budget Reserve Fund	0	27,427	27,427	0
Prior Year Carryover and Encumbered	12,141	12,141	12,141	0
Other	0	(4,213)	(4,213)	0
TOTAL ONE-TIME RESOURCES	12,141	47,187	49,006	1,819
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	\$ 1,445,258	\$ 1,483,905	\$ 1,487,393	\$ 3,488
CHARGES TO APPROPRIATIONS (outflows)				
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,872	\$ 1,856	\$ 1,722	\$ 134
Operating Expenses	444	444	441	3
TOTAL	2,316	2,300	2,163	137
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	75	75	66	9
TOTAL	75	75	66	9
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,710	1,691	1,680	11
Operating Expenses	881	881	872	9
TOTAL	2,591	2,572	2,552	20
OFFICE OF RESEARCH COMMERCE				
Personal Services	180	179	178	1
Operating Expenses	3,690	3,690	3,689	1
TOTAL	3,870	3,869	3,867	2
LIEUTENANT GOVERNOR				
Personal Services	21	21	21	0
Operating Expenses	13	13	13	0
TOTAL	34	34	34	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	\$ 687	\$ 675	\$ 672	\$ 3
Operating Expenses	574	42,884	42,881	3
TOTAL	1,261	43,559	43,553	6
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	4,500	4,500	4,500	0
TOTAL	4,500	4,500	4,500	0
EMPLOYEE COMPENSATION				
Personal Services	2	2	0	2
Operating Expenses	0	0	0	0
TOTAL	2	2	0	2
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	81	81	18	63
TOTAL	81	81	18	63
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	319	319	319	0
TOTAL	319	319	319	0
CENTRAL SERVICES				
Personal Services	187	180	178	2
Operating Expenses	210	210	204	6
TOTAL	397	390	382	8
STATEWIDE MAINTENANCE AND REPAIR				
Personal Services	0	0	0	0
Operating Expenses	17,115	17,115	8,069	9,046
TOTAL	17,115	17,115	8,069	9,046
OFFICE OF HEARING EXAMINERS				
Personal Services	260	254	252	2
Operating Expenses	75	75	62	13
TOTAL	335	329	314	15
PEPL FUND ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	6,000	7,975	7,975	0
TOTAL	6,000	7,975	7,975	0
OBLIGATION RECOVERY CENTER				
Personal Services	0	0	0	0
Operating Expenses	450	450	0	450
TOTAL	450	450	0	450
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,794	2,730	2,713	17
Operating Expenses	1,194	1,368	1,360	8
TOTAL	3,988	4,098	4,073	25
STATE RADIO ENGINEERING				
Personal Services	739	728	704	24
Operating Expenses	2,092	2,092	2,091	1
TOTAL	2,831	2,820	2,795	25

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS				
Personal Services	\$ 210	\$ 204	\$ 202	\$ 2
Operating Expenses	64	64	63	1
TOTAL	274	268	265	3
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	8,662	8,520	8,322	198
Operating Expenses	37,777	82,236	72,623	9,613
TOTAL	46,439	90,756	80,945	9,811
PROPERTY AND SPECIAL TAXES				
Personal Services	999	984	911	73
Operating Expenses	836	1,450	811	639
TOTAL	1,835	2,434	1,722	712
DEPARTMENT TOTAL, REVENUE				
Personal Services	999	984	911	73
Operating Expenses	836	1,450	811	639
TOTAL	1,835	2,434	1,722	712
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	682	670	667	3
Operating Expenses	186	186	185	1
TOTAL	868	856	852	4
AGRICULTURAL SERVICES AND ASSISTANCE				
Personal Services	1,385	1,349	1,340	9
Operating Expenses	578	1,878	1,873	5
TOTAL	1,963	3,227	3,213	14
AGRICULTURAL DEVELOPMENT AND PROMOTION				
Personal Services	1,260	1,230	1,222	8
Operating Expenses	488	488	483	5
TOTAL	1,748	1,718	1,705	13
ANIMAL INDUSTRY BOARD				
Personal Services	1,715	1,665	1,589	76
Operating Expenses	374	374	344	30
TOTAL	2,089	2,039	1,933	106
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	273	273	273	0
TOTAL	273	273	273	0
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	5,042	4,914	4,818	96
Operating Expenses	1,899	3,199	3,158	41
TOTAL	6,941	8,113	7,976	137
ADMINISTRATION, SECRETARY OF GAME, FISH, AND PARKS				
Personal Services	130	114	110	4
Operating Expenses	823	823	823	0
TOTAL	953	937	933	4
STATE PARKS AND RECREATION				
Personal Services	2,620	2,569	2,556	13
Operating Expenses	1,603	2,610	2,610	0
TOTAL	4,223	5,179	5,166	13

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	3,425	3,425	1,965	1,460
TOTAL	3,425	3,425	1,965	1,460
DEPARTMENT TOTAL, GAME, FISH, & PARKS				
Personal Services	2,750	2,683	2,666	17
Operating Expenses	5,851	6,858	5,398	1,460
TOTAL	8,601	9,541	8,064	1,477
OFFICE OF TRIBAL RELATIONS				
Personal Services	357	348	335	13
Operating Expenses	99	99	88	11
TOTAL	456	447	423	24
DEPARTMENT TOTAL, TRIBAL RELATIONS				
Personal Services	357	348	335	13
Operating Expenses	99	99	88	11
TOTAL	456	447	423	24
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	4,406	4,265	4,228	37
Operating Expenses	4,512	4,512	4,502	10
TOTAL	8,918	8,777	8,730	47
ECONOMIC ASSISTANCE				
Personal Services	8,109	7,852	7,785	67
Operating Expenses	17,459	17,459	17,032	427
TOTAL	25,568	25,311	24,817	494
MEDICAL AND ADULT SERVICES				
Personal Services	3,131	3,050	3,029	21
Operating Expenses	306,404	307,358	307,068	290
TOTAL	309,535	310,408	310,097	311
CHILDREN'S SERVICES				
Personal Services	11,845	11,595	11,530	65
Operating Expenses	32,091	31,029	30,769	260
TOTAL	43,936	42,624	42,299	325
BEHAVIORAL HEALTH				
Personal Services	30,112	29,233	29,005	228
Operating Expenses	44,914	42,614	42,362	252
TOTAL	75,026	71,847	71,367	480
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	57,603	55,995	55,577	418
Operating Expenses	405,380	402,972	401,733	1,239
TOTAL	462,983	458,967	457,310	1,657
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	727	709	704	5
Operating Expenses	209	209	209	0
TOTAL	936	918	913	5
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,954	1,907	1,895	12
Operating Expenses	2,037	3,038	1,979	1,059
TOTAL	3,991	4,945	3,874	1,071

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
HEALTH AND MEDICAL SERVICES				
Personal Services	\$ 2,197	\$ 2,136	\$ 2,120	\$ 16
Operating Expenses	2,512	2,632	2,630	2
TOTAL	4,709	4,768	4,750	18
DEPARTMENT TOTAL, HEALTH				
Personal Services	4,878	4,752	4,719	33
Operating Expenses	4,758	5,879	4,818	1,061
TOTAL	9,636	10,631	9,537	1,094
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	605	605	605	0
TOTAL	605	605	605	0
UNEMPLOYMENT INSURANCE SERVICES				
Personal Services	0	0	0	0
Operating Expenses	0	150	150	0
TOTAL	0	150	150	0
FIELD OPERATIONS				
Personal Services	163	157	156	1
Operating Expenses	7	7	7	0
TOTAL	170	164	163	1
STATE LABOR LAW ADMINISTRATION				
Personal Services	606	580	573	7
Operating Expenses	97	97	97	0
TOTAL	703	677	670	7
DEPARTMENT TOTAL, LABOR AND REGULATION				
Personal Services	769	737	729	8
Operating Expenses	709	859	859	0
TOTAL	1,478	1,596	1,588	8
GENERAL OPERATIONS				
Personal Services	510	497	494	3
Operating Expenses	26	1,026	1,026	0
TOTAL	536	1,523	1,520	3
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	510	497	494	3
Operating Expenses	26	1,026	1,026	0
TOTAL	536	1,523	1,520	3
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,586	1,642	1,633	9
Operating Expenses	1,446	1,446	1,342	104
TOTAL	3,032	3,088	2,975	113
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	347,720	343,564	343,447	117
TOTAL	347,720	343,564	343,447	117
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	56,383	57,657	57,657	0
TOTAL	56,383	57,657	57,657	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
SPARSITY PAYMENTS				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	1,900	1,947	1,947	0
TOTAL	1,900	1,947	1,947	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	9,831	9,831	9,830	1
TOTAL	9,831	9,831	9,830	1
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	23,275	23,339	23,339	0
TOTAL	23,275	23,339	23,339	0
POSTSECONDARY VOCATIONAL EDUCATION TUITION ASSISTANCE				
Personal Services	0	0	0	0
Operating Expenses	916	916	916	0
TOTAL	916	916	916	0
EDUCATION RESOURCES				
Personal Services	1,693	1,731	1,720	11
Operating Expenses	8,091	9,292	8,591	701
TOTAL	9,784	11,023	10,311	712
OFFICE OF HISTORY				
Personal Services	953	942	935	7
Operating Expenses	1,195	1,211	1,207	4
TOTAL	2,148	2,153	2,142	11
STATE LIBRARY				
Personal Services	1,282	1,059	952	107
Operating Expenses	614	614	551	63
TOTAL	1,896	1,673	1,503	170
DEPARTMENT TOTAL, EDUCATION				
Personal Services	5,514	5,374	5,240	134
Operating Expenses	451,371	449,817	448,827	990
TOTAL	456,885	455,191	454,067	1,124
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	126	125	125	0
Operating Expenses	15	15	14	1
TOTAL	141	140	139	1
ENFORCEMENT				
Personal Services	483	471	465	6
Operating Expenses	1,348	1,344	1,077	267
TOTAL	1,831	1,815	1,542	273
EMERGENCY SERVICES AND HOMELAND SECURITY				
Personal Services	964	938	931	7
Operating Expenses	3,338	3,316	3,305	11
TOTAL	4,302	4,254	4,236	18
INSPECTION AND LICENSING				
Personal Services	68	66	61	5
Operating Expenses	705	727	727	0
TOTAL	773	793	788	5

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	\$ 1,641	\$ 1,600	\$ 1,582	\$ 18
Operating Expenses	5,406	5,402	5,123	279
TOTAL	7,047	7,002	6,705	297
REGENTS CENTRAL OFFICE				
Personal Services	4,388	4,322	4,306	16
Operating Expenses	14,762	14,762	10,664	4,098
TOTAL	19,150	19,084	14,970	4,114
SOUTH DAKOTA SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	4,965	7,065	7,022	43
TOTAL	4,965	7,065	7,022	43
RESEARCH POOL				
Personal Services	0	0	0	0
Operating Expenses	1,964	1,964	1,964	0
TOTAL	1,964	1,964	1,964	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	32,489	31,827	31,656	171
Operating Expenses	4,986	4,696	3,563	1,133
TOTAL	37,475	36,523	35,219	1,304
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	18,752	18,488	18,420	68
Operating Expenses	3,377	3,377	3,376	1
TOTAL	22,129	21,865	21,796	69
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	40,626	39,658	39,408	250
Operating Expenses	8,286	8,039	6,933	1,106
TOTAL	48,912	47,697	46,341	1,356
COOPERATIVE EXTENSION SERVICE				
Personal Services	8,133	7,980	7,941	39
Operating Expenses	329	329	329	0
TOTAL	8,462	8,309	8,270	39
AGRICULTURAL EXPERIMENT STATION				
Personal Services	11,303	11,124	11,077	47
Operating Expenses	627	627	627	0
TOTAL	11,930	11,751	11,704	47
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	15,742	15,446	15,369	77
Operating Expenses	1,232	1,262	1,115	147
TOTAL	16,974	16,708	16,484	224
NORTHERN STATE UNIVERSITY				
Personal Services	12,198	11,927	11,857	70
Operating Expenses	1,365	1,194	1,080	114
TOTAL	13,563	13,121	12,937	184
BLACK HILLS STATE UNIVERSITY				
Personal Services	8,479	8,280	8,228	52
Operating Expenses	867	845	780	65
TOTAL	9,346	9,125	9,008	117

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DAKOTA STATE UNIVERSITY				
Personal Services	\$ 9,150	\$ 8,971	\$ 8,902	\$ 69
Operating Expenses	723	848	608	240
TOTAL	9,873	9,819	9,510	309
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	1,621	1,559	1,538	21
Operating Expenses	1,178	1,170	1,165	5
TOTAL	2,799	2,729	2,703	26
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,644	2,500	2,433	67
Operating Expenses	270	338	330	8
TOTAL	2,914	2,838	2,763	75
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	165,525	162,082	161,135	947
Operating Expenses	44,931	46,516	39,556	6,960
TOTAL	210,456	208,598	200,691	7,907
ADJUTANT GENERAL				
Personal Services	417	409	404	5
Operating Expenses	544	650	548	102
TOTAL	961	1,059	952	107
ARMY GUARD				
Personal Services	401	385	380	5
Operating Expenses	3,171	3,183	3,179	4
TOTAL	3,572	3,568	3,559	9
AIR GUARD				
Personal Services	196	190	185	5
Operating Expenses	235	212	210	2
TOTAL	431	402	395	7
DEPARTMENT TOTAL, MILITARY				
Personal Services	1,014	984	969	15
Operating Expenses	3,950	4,045	3,937	108
TOTAL	4,964	5,029	4,906	123
VETERANS' BENEFITS AND SERVICES				
Personal Services	1,111	1,091	1,075	16
Operating Expenses	1,028	1,102	555	547
TOTAL	2,139	2,193	1,630	563
STATE VETERANS' HOME				
Personal Services	1,023	982	973	9
Operating Expenses	6,984	6,955	6,452	503
TOTAL	8,007	7,937	7,425	512
DEPARTMENT TOTAL, VETERANS' AFFAIRS				
Personal Services	2,134	2,073	2,048	25
Operating Expenses	8,012	8,057	7,007	1,050
TOTAL	10,146	10,130	9,055	1,075
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,640	1,599	1,550	49
Operating Expenses	600	490	484	6
TOTAL	2,240	2,089	2,034	55

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
MIKE DURFEE STATE PRISON				
Personal Services	\$ 10,958	\$ 10,557	\$ 10,453	\$ 104
Operating Expenses	5,252	5,174	5,150	24
TOTAL	16,210	15,731	15,603	128
STATE PENITENTIARY				
Personal Services	16,721	17,053	16,822	231
Operating Expenses	4,571	5,791	5,754	37
TOTAL	21,292	22,844	22,576	268
WOMEN'S PRISON				
Personal Services	3,775	3,651	3,617	34
Operating Expenses	1,309	1,465	1,456	9
TOTAL	5,084	5,116	5,073	43
INMATE SERVICES				
Personal Services	987	1,010	1,002	8
Operating Expenses	21,290	22,007	22,004	3
TOTAL	22,277	23,017	23,006	11
PAROLE SERVICES				
Personal Services	3,228	3,252	3,222	30
Operating Expenses	1,581	1,673	1,665	8
TOTAL	4,809	4,925	4,887	38
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,714	2,500	2,453	47
Operating Expenses	12,858	11,057	10,402	655
TOTAL	15,572	13,557	12,855	702
YOUTH CHALLENGE CENTER				
Personal Services	1,388	919	907	12
Operating Expenses	115	60	57	3
TOTAL	1,503	979	964	15
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,399	995	983	12
Operating Expenses	97	55	52	3
TOTAL	1,496	1,050	1,035	15
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	2,705	2,239	2,213	26
Operating Expenses	2,426	1,773	1,762	11
TOTAL	5,131	4,012	3,975	37
QUEST/ExCEL				
Personal Services	1,238	884	871	13
Operating Expenses	95	53	50	3
TOTAL	1,333	937	921	16
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	46,753	44,659	44,093	566
Operating Expenses	50,194	49,598	48,836	762
TOTAL	96,947	94,257	92,929	1,328
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	630	618	558	60
Operating Expenses	284	284	282	2
TOTAL	914	902	840	62

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEVELOPMENTAL DISABILITIES				
Personal Services	\$ 704	\$ 689	\$ 621	\$ 68
Operating Expenses	59,739	59,737	58,936	801
TOTAL	60,443	60,426	59,557	869
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	9,710	9,418	9,022	396
Operating Expenses	2,462	2,407	2,311	96
TOTAL	12,172	11,825	11,333	492
REHABILITATION SERVICES				
Personal Services	819	797	765	32
Operating Expenses	3,643	3,645	3,639	6
TOTAL	4,462	4,442	4,404	38
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	491	480	477	3
Operating Expenses	472	472	469	3
TOTAL	963	952	946	6
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	12,354	12,002	11,443	559
Operating Expenses	66,600	66,545	65,637	908
TOTAL	78,954	78,547	77,080	1,467
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	2,129	2,086	2,075	11
Operating Expenses	1,124	1,124	1,121	3
TOTAL	3,253	3,210	3,196	14
ENVIRONMENTAL SERVICES				
Personal Services	3,365	3,288	3,268	20
Operating Expenses	897	1,072	1,066	6
TOTAL	4,262	4,360	4,334	26
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	5,494	5,374	5,343	31
Operating Expenses	2,021	2,196	2,187	9
TOTAL	7,515	7,570	7,530	40
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	513	503	500	3
Operating Expenses	54	54	54	0
TOTAL	567	557	554	3
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	513	503	500	3
Operating Expenses	54	54	54	0
TOTAL	567	557	554	3
UNIFIED JUDICIAL SYSTEM				
Personal Services	37,937	36,992	36,394	598
Operating Expenses	5,071	5,271	4,388	883
TOTAL	43,008	42,263	40,782	1,481
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	37,937	36,992	36,394	598
Operating Expenses	5,071	5,271	4,388	883
TOTAL	43,008	42,263	40,782	1,481

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
LEGISLATIVE OPERATIONS				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	0	0	0	0
Appropriation	6,519	6,480	6,323	157
TOTAL	6,519	6,480	6,323	157
NONRECURRING TECHNOLOGY INFRASTRUCTURE UPGRADE FUNDING				
Personal Services	0	0	0	0
Operating Expenses	38	38	38	0
Appropriation	0	0	0	0
TOTAL	38	38	38	0
AUDITOR GENERAL				
Personal Services	3,187	3,098	3,035	63
Operating Expenses	378	403	379	24
Appropriation	0	0	0	0
TOTAL	3,565	3,501	3,414	87
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	3,187	3,098	3,035	63
Operating Expenses	416	441	417	24
Appropriation	6,519	6,480	6,323	157
TOTAL	10,122	10,019	9,775	244
LEGAL SERVICES PROGRAM				
Personal Services	4,303	4,208	4,183	25
Operating Expenses	581	588	588	0
TOTAL	4,884	4,796	4,771	25
CRIMINAL INVESTIGATION				
Personal Services	3,909	3,828	3,807	21
Operating Expenses	1,496	1,489	1,481	8
TOTAL	5,405	5,317	5,288	29
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	481	481	481	0
TOTAL	481	481	481	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	8,212	8,036	7,990	46
Operating Expenses	2,558	2,558	2,550	8
TOTAL	10,770	10,594	10,540	54
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	434	424	418	6
Operating Expenses	374	624	376	248
TOTAL	808	1,048	794	254
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	434	424	418	6
Operating Expenses	374	624	376	248
TOTAL	808	1,048	794	254
SECRETARY OF STATE				
Personal Services	712	699	694	5
Operating Expenses	290	1,006	495	511
TOTAL	1,002	1,705	1,189	516

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	\$ 712	\$ 699	\$ 694	\$ 5
Operating Expenses	290	1,006	495	511
TOTAL	1,002	1,705	1,189	516
TREASURY MANAGEMENT				
Personal Services	387	378	368	10
Operating Expenses	146	396	379	17
TOTAL	533	774	747	27
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	387	378	368	10
Operating Expenses	146	396	379	17
TOTAL	533	774	747	27
STATE AUDITOR				
Personal Services	1,106	1,077	1,035	42
Operating Expenses	157	157	140	17
TOTAL	1,263	1,234	1,175	59
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	1,106	1,077	1,035	42
Operating Expenses	157	157	140	17
TOTAL	1,263	1,234	1,175	59
STATE TOTAL				
Personal Services	374,487	364,785	360,858	3,927
Operating Expenses	1,098,886	1,147,261	1,120,423	26,838
Appropriation	6,519	6,480	6,323	157
TOTAL CHARGES TO APPROPRIATION	\$ 1,479,892	\$ 1,518,526	\$ 1,487,604	\$ 30,922
NON-BUDGETED OUTFLOWS				
Transfer to Budget Reserve Fund	\$ 0	\$ 0	\$ 21,535	\$ (21,535)
Non-budgeted Transfers Out	0	0	119	(119)
TOTAL NON-BUDGETED OUTFLOWS	\$ 0	\$ 0	\$ 21,654	\$ (21,654)
CHANGE IN BUDGETARY FUND BALANCE	\$ (34,634)	\$ (34,621)	\$ (21,865)	\$ 12,756
BUDGETARY FUND BALANCE JULY 1, 2015	56,043	56,043	56,043	0
BUDGETARY FUND BALANCE JUNE 30, 2016	\$ 21,409	\$ 21,422	\$ 34,178	\$ 12,756

The notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION FUND
 For the Fiscal Year Ended June 30, 2016
 (Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (outflows)				
GENERAL OPERATIONS				
Personal Services	\$ 68,616	\$ 66,907	\$ 61,878	\$ 5,029
Operating Expenses	142,800	142,766	124,815	17,951
TOTAL	211,416	209,673	186,693	22,980
CONTRACT CONSTRUCTION INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	421,045	421,045	475,089	(54,044)
TOTAL	421,045	421,045	475,089	(54,044)
ENFORCEMENT				
Personal Services	14,173	13,760	13,343	417
Operating Expenses	6,110	6,110	6,095	15
TOTAL	20,283	19,870	19,438	432
FUND TOTAL, TRANSPORTATION				
Personal Services	\$ 82,789	\$ 80,667	\$ 75,221	\$ 5,446
Operating Expenses	569,955	569,921	605,999	(36,078)
TOTAL CHARGES TO APPROPRIATION	\$ 652,744	\$ 650,588	\$ 681,220	\$ (30,632)

The notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 SOCIAL SERVICES FEDERAL FUND
 For the Fiscal Year Ended June 30, 2016
 (Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (outflows)				
ADMINISTRATION				
Personal Services	\$ 5,681	\$ 5,517	\$ 4,114	\$ 1,403
Operating Expenses	15,661	15,661	6,633	9,028
TOTAL	<u>21,342</u>	<u>21,178</u>	<u>10,747</u>	<u>10,431</u>
ECONOMIC ASSISTANCE				
Personal Services	11,239	10,970	9,210	1,760
Operating Expenses	49,698	49,698	34,702	14,996
TOTAL	<u>60,937</u>	<u>60,668</u>	<u>43,912</u>	<u>16,756</u>
MEDICAL AND ADULT SERVICES				
Personal Services	6,510	6,339	4,626	1,713
Operating Expenses	460,566	461,584	411,239	50,345
TOTAL	<u>467,076</u>	<u>467,923</u>	<u>415,865</u>	<u>52,058</u>
CHILDREN'S SERVICES				
Personal Services	10,000	9,655	7,800	1,855
Operating Expenses	37,658	37,658	31,582	6,076
TOTAL	<u>47,658</u>	<u>47,313</u>	<u>39,382</u>	<u>7,931</u>
BEHAVIORAL HEALTH				
Personal Services	10,209	9,949	7,560	2,389
Operating Expenses	28,754	28,754	19,967	8,787
TOTAL	<u>38,963</u>	<u>38,703</u>	<u>27,527</u>	<u>11,176</u>
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	\$ 43,639	\$ 42,430	\$ 33,310	\$ 9,120
Operating Expenses	592,337	593,355	504,123	89,232
TOTAL CHARGES TO APPROPRIATION	<u>\$ 635,976</u>	<u>\$ 635,785</u>	<u>\$ 537,433</u>	<u>\$ 98,352</u>

The notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 BUDGET-TO-GAAP RECONCILIATION
 For the Fiscal Year Ended June 30, 2016
 (Expressed in Thousands)**

	<u>General Fund</u>		
Inflows of Resources:			
Actual amounts (budgetary basis) "Amounts available for Appropriation" from the budgetary comparison schedule	\$ 1,487,393		
Differences-budget to GAAP:			
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(115,325)		
To adjust revenues for accruals and other year-end entries such as the recording tax receivables, shared revenue receipts, and reclassification of lottery revenues	(54,450)		
To adjust revenues for statutorily created funds that do not qualify as special revenue funds	23,323		
Money from the General Fund Budget Reserve are inflows of budgetary resources but are not revenues for financial reporting purposes	(27,427)		
Prior year carryover and encumbered amounts are inflows of budgetary resources but are not revenues for financial reporting purposes	(12,141)		
Other outflows of budgetary resources but are not revenues for financial reporting purposes	4,213		
Unexpended carryovers, specials, and deferred maintenances are inflows of budgetary resources but are not revenues for financial reporting purposes	(225)		
Sales of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(188)		
	<hr/>		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,305,173</u>		
	<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	\$ 1,487,604	\$ 681,220	\$ 537,433
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.	(8,992)	(18,737)	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(55,230)		
To adjust expenditures/expenses for accruals and other year-end entries such as the recording of food stamps and shared revenue distribution	57,094	(7,619)	131,230
To adjust expenditures/expenses for statutorily created funds that do not qualify as special revenue funds	33,506		
	<hr/>	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,513,982</u>	<u>\$ 654,864</u>	<u>\$ 668,663</u>

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule is comprised of three sections: 1) Resources Available for Appropriation (Resources), 2) Charges to Appropriations and 3) Non Budgeted Outflows. The first section presents comparisons of the legally adopted original estimated resources, the revised adopted estimated resources, and actual amounts for each category of resources for the State of South Dakota on a budgetary basis. The General Fund is the only fund that has legally adopted estimated resources by the Legislature. Therefore, the Transportation and Social Services Federal Funds do not have a resource section of their corresponding Budgetary Comparison Schedules. The original adopted estimated resources are defined as the estimated resources for the next fiscal year as referenced in SDCL 4-7-10(2), as adopted by the Legislature. The prior year carryover and encumbered amount is adopted before the current fiscal year and is carried over to subsequent years based on the expiration date. The revised adopted estimated resources are defined as the estimated resources in the current fiscal year as referenced in SDCL 4-7-10(2). The actual amounts are comprised of actual collections as of the close of the fiscal year.

The second section presents comparisons of the original charges to appropriations budget and legally revised final charges to appropriations budget, with actual amounts for each program of the State 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 Budgetary 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, 2016, there were no over-expenditures by any State department other than informational budget units that are coupled with continuous or annual appropriation designation. Informational budget units, when combined with specific continuous or annual appropriation designation, are able to over-spend the expenditure authority.

The original charges to appropriations 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. The amount appropriated for employee compensation in the General Bill is reported as distributed to the departments and programs. Any of these adjustments may change the format, terminology, or classification of a Budgetary 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 third section presents non-budgeted outflows which account for items that are outflows but not charges to appropriations. An example of a non-budgeted outflow includes, statutorily required year-end transfers to the General Fund Budget Reserve and General Revenue Replacement Fund.

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, 2016 has also been included as Required Supplementary Information.

STATE OF SOUTH DAKOTA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM
July 1, 2014 to June 30, 2015 Measurement Date
Last Ten Fiscal Years *
(Dollars Expressed in Thousands)

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
State's proportion of net pension liability (asset)	22.4497754%	22.0687777%
State's proportionate share of the net pension liability (asset)	\$ (95,216)	\$ (158,996)
State's covered-employee payroll	\$ 389,949	\$ 367,417
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(24.42%)	(43.27%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.10%	107.29%

** Note: This schedule is intended to present information for the last 10 years. However, until a full 10-year trend is compiled, information is presented for the years in which information is available.*

STATE OF SOUTH DAKOTA
SCHEDULE OF CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM
June 30, 2016
Last Ten Fiscal Years *
(Dollars Expressed in Thousands)

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
Contractually required contribution	\$ 25,406	\$ 24,588
Contributions in relation to the contractually required contribution	(25,406)	(24,588)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
State's covered-employee payroll	\$ 395,647	\$ 389,949
Contributions as a percentage of covered-employee payroll	6.42%	6.31%

** Note: This schedule is intended to present information for the last 10 years. However, until a full 10-year trend is compiled, information is presented for the years in which information is available.*

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 Position – Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds
- Combining Statement of Cash Flows – Nonmajor Enterprise Funds
- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- Combining Statement of Cash Flows – Internal Service Funds
- Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Fiduciary Assets and Liabilities – Agency Funds
- Combining Statement of Changes in Assets and Liabilities – Agency Funds
- Combining Statement of Net Position – Component Units
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Component Units
- Statement of Cash Flows – Higher Education
- Combining Statement of Net Position – Nonmajor Component Units
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Component Units

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2016
(Expressed in Thousands)**

Assets	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Cash and Cash Equivalents	\$ 309,389	\$ 5,926	\$ 1,357	\$ 5	\$ 316,677
Restricted Cash		3			3
Investments	139,281	4,781		46,677	190,739
Restricted Investments		20,015			20,015
Receivables from:					
Taxes, net	3,330				3,330
Interest and Dividends	1,247	22	20	93	1,382
Other Funds	4,615				4,615
Component Units	29				29
Other Governments	81,649				81,649
Loans and Notes, net	50,656				50,656
Other, net	7,946	12,238		32	20,216
Inventory	2,323				2,323
Advances to Component Units	1,450				1,450
Other Assets	1,177				1,177
Total Assets	\$ 603,092	\$ 42,985	\$ 1,377	\$ 46,807	\$ 694,261
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 41,971	\$	\$ 11	\$ 150	\$ 42,132
Payable to:					
Other Funds	23,533		187	991	24,711
Component Units	577				577
Other Governments	61,702				61,702
Claims, Judgments, and Compensated Absences	67				67
Unearned Revenue	13,606				13,606
Total Liabilities	141,456	0	198	1,141	142,795
Deferred Inflows of Resources:					
Unavailable Revenue	7,492	12,238			19,730
Total Deferred Inflows of Resources	7,492	12,238	0	0	19,730
Fund Balances:					
Nonspendable	89,071			45,593	134,664
Restricted	300,450	30,747	1,179	73	332,449
Committed	43,652				43,652
Assigned	26,019				26,019
Unassigned	(5,048)				(5,048)
Total Fund Balances	454,144	30,747	1,179	45,666	531,736
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 603,092	\$ 42,985	\$ 1,377	\$ 46,807	\$ 694,261

**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, 2016
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 99,017	\$	\$	\$	\$ 99,017
Licenses, Permits, and Fees	279,931				279,931
Fines, Forfeits, and Penalties	12,281				12,281
Use of Money and Property	10,143	68	170	1,577	11,958
Sales and Services	19,645				19,645
Administering Programs	448,909				448,909
Tobacco Settlement		24,582			24,582
Other Revenue	10,751	106		490	11,347
Total Revenue	880,677	24,756	170	2,067	907,670
Expenditures:					
Current:					
General Government	41,102	256		1,961	43,319
Education	176,383				176,383
Health, Human, and Social Services	212,200				212,200
Law, Justice, Public Protection, and Regulation	98,922				98,922
Agriculture and Natural Resources	136,692				136,692
Economic Resources	32,384				32,384
Transportation	19,951				19,951
State Shared Revenue Paid to Other Governments	137,386				137,386
Capital Outlay			1,017		1,017
Debt Service:					
Principal		16,415			16,415
Interest		9,177			9,177
Bond Issuance Costs		6			6
Total Expenditures	855,020	25,854	1,017	1,961	883,852
Excess of Revenue Over (Under) Expenditures	25,657	(1,098)	(847)	106	23,818
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	307				307
Transfers In	35,868	4,054			39,922
Transfers Out	(94,720)	(7,583)	(170)	(590)	(103,063)
Total Other Financing Sources (Uses)	(58,545)	(3,529)	(170)	(590)	(62,834)
Net Change in Fund Balances	(32,888)	(4,627)	(1,017)	(484)	(39,016)
Fund Balances at Beginning of Year	487,032	35,374	2,196	46,150	570,752
Fund Balances at End of Year	\$ 454,144	\$ 30,747	\$ 1,179	\$ 45,666	\$ 531,736

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016
(Expressed in Thousands)**

Assets	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
Cash and Cash Equivalents	\$	\$ 253	\$ 1,357	\$	\$ 13,630
Investments					
Receivables from:					
Taxes, net					
Interest and Dividends			2		
Other Funds	10	259	315	56	
Component Units	24				
Other Governments	25,291	10,354	1,163	2,690	548
Loans and Notes, net					2,420
Other, net			1	2	
Inventory		125	63	1,789	
Advances to Component Units					
Other Assets	94			9	
Total Assets	\$ 25,419	\$ 10,991	\$ 2,901	\$ 4,546	\$ 16,598
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 3,406	\$ 7,856	\$ 1,401	\$ 2,224	\$ 15
Payable to:					
Other Funds	174	664	280	504	1
Component Units	235	38		12	
Other Governments	20,449	155	3	41	533
Claims, Judgments, and Compensated Absences		18	16	8	
Unearned Revenue	936	79	13	10	
Total Liabilities	25,200	8,810	1,713	2,799	549
Deferred Inflows of Resources:					
Unavailable Revenue					
Total Deferred Inflows of Resources	0	0	0	0	0
Fund Balances:					
Nonspendable	94	125	63	1,798	
Restricted					16,049
Committed					
Assigned	125	2,056	1,125		
Unassigned				(51)	
Total Fund Balances	219	2,181	1,188	1,747	16,049
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,419	\$ 10,991	\$ 2,901	\$ 4,546	\$ 16,598

Public Safety Emergency Management	Natural Resources Federal	Game, Fish, and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$ 99	\$	\$	\$ 14,917	\$ 16,038	\$ 830	\$ 4,490	\$ 7,162
			38	33	14		850
			15	19		87	4
3,649	1,800	2,144		254		5	
497						59	
48			1,245	364		68	
						78	
216						53	
\$ 4,509	\$ 1,800	\$ 2,144	\$ 16,215	\$ 16,708	\$ 844	\$ 4,840	\$ 8,016
\$ 690	\$ 562	\$ 750	\$ 1,645	\$ 2,962	\$ 154	\$ 297	\$ 68
76	759	775	387	210	21	336	663
	7	89	12				
2,549	427	530	2	3		44	744
						4	
				39			6,352
3,315	1,755	2,144	2,046	3,214	175	681	7,827
0	0	0	0	0	0	0	0
216			14,169	13,494		130	
						2,960	
					263		189
978	45				406	1,069	
1,194	45	0	14,169	13,494	669	4,159	189
\$ 4,509	\$ 1,800	\$ 2,144	\$ 16,215	\$ 16,708	\$ 844	\$ 4,840	\$ 8,016

Continued on next page

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2016
(Expressed in Thousands)**

Assets	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation
Cash and Cash Equivalents	\$ 19,937	\$ 870	\$ 27,415	\$ 7,024	\$ 2,323
Investments				5,604	
Receivables from:					
Taxes, net					173
Interest and Dividends	30	11	94		15
Other Funds	13				
Component Units					
Other Governments	17,557	409		122	
Loans and Notes, net					
Other, net	325				
Inventory					
Advances to Component Units					
Other Assets	6				
Total Assets	\$ 37,868	\$ 1,290	\$ 27,509	\$ 12,750	\$ 2,511
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 676	\$ 725	\$ 440	\$	\$ 60
Payable to:					
Other Funds	1,856	1,430			4
Component Units					
Other Governments	31,646		230		
Claims, Judgments, and Compensated Absences	3	7			
Unearned Revenue					
Total Liabilities	34,181	2,162	670	0	64
Deferred Inflows of Resources:					
Unavailable Revenue					
Total Deferred Inflows of Resources	0	0	0	0	0
Fund Balances:					
Nonspendable	6				
Restricted			26,839	5,726	
Committed	3,681				2,447
Assigned				7,024	
Unassigned		(872)			
Total Fund Balances	3,687	(872)	26,839	12,750	2,447
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 37,868	\$ 1,290	\$ 27,509	\$ 12,750	\$ 2,511

Maintenance and Repair	Water and Environment	Energy Conservation	Military Federal	Health Care Trust	Railroad Trust	Other	Total
\$ 8,562	\$ 35,081	\$ 5,495	\$	\$ 23 133,269	\$ 12,754	\$ 131,129 408	\$ 309,389 139,281
	463					1,844	3,330
12	111	16		261	304	302	1,247
620	817	458				1,946	4,615
	134		4,440		58	10,977	81,649
	14,822	7,642			25,109	166	50,656
				75	48	5,770	7,946
						268	2,323
	1,450						1,450
						799	1,177
\$ 9,194	\$ 52,878	\$ 13,611	\$ 4,440	\$ 133,628	\$ 38,273	\$ 153,609	\$ 603,092
\$ 882	\$ 458	\$ 6	\$ 1,010	\$ 467	\$ 5,715	\$ 9,502	\$ 41,971
8			3,097	4,970		7,318	23,533
					126	58	577
	992		291		156	2,907	61,702
						11	67
890	1,450	6	4,398	5,437	5,997	6,177	13,606
0	79	0	0	0	0	7,413	7,492
				85,631		1,008	89,071
	51,349	11,646		42,560	31,774	83,884	300,450
4,982		1,959			502	29,629	43,652
3,322			42			9,827	26,019
8,304	51,349	13,605	42	128,191	32,276	(4,125)	(5,048)
\$ 9,194	\$ 52,878	\$ 13,611	\$ 4,440	\$ 133,628	\$ 38,273	\$ 153,609	\$ 603,092

**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, 2016
(Expressed in Thousands)**

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
Revenue:					
Taxes	\$	\$	\$ 429	\$	\$
Licenses, Permits, and Fees		99			
Fines, Forfeits, and Penalties					
Use of Money and Property		44	12		1
Sales and Services	286	1,694			2
Administering Programs	164,001	98,913	21,187	51,678	5,041
Other Revenue	30	46	4		
Total Revenue	164,317	100,796	21,632	51,678	5,044
Expenditures:					
General Government					
Education	164,352				
Health, Human, and Social Services		100,616	24,349	51,650	
Law, Justice, Public Protection, and Regulation			144		
Agriculture and Natural Resources					
Economic Resources					5,068
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	164,352	100,616	24,493	51,650	5,068
Excess of Revenue Over (Under) Expenditures	(35)	180	(2,861)	28	(24)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets		10			
Transfers In		229	3,312	219	
Transfers Out	(23)	(441)	(922)	(5)	
Total Other Financing Sources (Uses)	(23)	(202)	2,390	214	0
Net Change in Fund Balances	(58)	(22)	(471)	242	(24)
Fund Balances at Beginning of Year	277	2,203	1,659	1,505	16,073
Fund Balances at End of Year	\$ 219	\$ 2,181	\$ 1,188	\$ 1,747	\$ 16,049

Public Safety Emergency Management	Natural Resources Federal	Game, Fish, and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			31,603	1,985 18,409	23,606 25,808	9,825	9,734 6,636
					81	3	3
33			575	2,221	111		33
			181	2	14	27	
19,760	9,090	19,803	55	15			
5		24	230	61	1	807	
19,798	9,090	19,827	32,644	22,693	49,621	10,662	16,406
						9,677	
20,194					2,890		1,338
	9,146	18,188	27,595	24,981			
							8,670
20,194	9,146	18,188	27,595	24,981	2,890	9,677	10,008
(396)	(56)	1,639	5,049	(2,288)	46,731	985	6,398
			197	59			
	69		1,489	40		92	
		(1,639)	(1,596)	(2,815)	(46,650)	(900)	(6,376)
0	69	(1,639)	90	(2,716)	(46,650)	(808)	(6,376)
(396)	13		5,139	(5,004)	81	177	22
1,590	32		9,030	18,498	588	3,982	167
\$ 1,194	\$ 45	\$ 0	\$ 14,169	\$ 13,494	\$ 669	\$ 4,159	\$ 189

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, 2016
(Expressed in Thousands)**

	<u>Motor Vehicle</u>	<u>Revenue</u>	<u>Future</u>	<u>Vocational Education Facilities</u>	<u>Petroleum Release Compensation</u>
Revenue:					
Taxes	\$ 4,655	\$ 11,535	\$ 17,319	\$	\$ 1,855
Licenses, Permits, and Fees	131,186	3,995		4,901	
Fines, Forfeits, and Penalties					
Use of Money and Property	101	82	730	(2)	112
Sales and Services	2,194				
Administering Programs					
Other Revenue	27		71	720	42
Total Revenue	<u>138,163</u>	<u>15,612</u>	<u>18,120</u>	<u>5,619</u>	<u>2,009</u>
Expenditures:					
General Government	7,580	18,160			
Education				8,481	
Health, Human, and Social Services					
Law, Justice, Public Protection, and Regulation	8,498				
Agriculture and Natural Resources					1,115
Economic Resources			24,882		
Transportation					
State Shared Revenue Paid to Other Governments	119,486				
Total Expenditures	<u>135,564</u>	<u>18,160</u>	<u>24,882</u>	<u>8,481</u>	<u>1,115</u>
Excess of Revenue Over (Under) Expenditures	2,599	(2,548)	(6,762)	(2,862)	894
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets		7			
Transfers In	1,033			9,559	
Transfers Out	(2,111)	(1,526)	(5,042)		(3,500)
Total Other Financing Sources (Uses)	<u>(1,078)</u>	<u>(1,519)</u>	<u>(5,042)</u>	<u>9,559</u>	<u>(3,500)</u>
Net Change in Fund Balances	1,521	(4,067)	(11,804)	6,697	(2,606)
Fund Balances at Beginning of Year	2,166	3,195	38,643	6,053	5,053
Fund Balances at End of Year	<u>\$ 3,687</u>	<u>\$ (872)</u>	<u>\$ 26,839</u>	<u>\$ 12,750</u>	<u>\$ 2,447</u>

Maintenance and Repair	Water and Environment	Energy Conservation	Military Federal	Health Care Trust	Railroad Trust	Other	Total
\$	\$ 4,952 1,786	\$ 500	\$	\$	\$ 354	\$ 22,447 45,329 12,194	\$ 99,017 279,931 12,281
86	1,029	126	24	630	1,205	2,990	10,143
2,930						12,315	19,645
152			16,018		34	43,162	448,909
					204	8,479	10,751
3,168	7,767	626	16,042	630	1,797	146,916	880,677
3,446				323		11,593 3,550	41,102 176,383
						25,908	212,200
			16,042			49,816	98,922
	12,371					43,296	136,692
		480				1,954	32,384
					17,710	2,241	19,951
						9,230	137,386
3,446	12,371	480	16,042	323	17,710	147,588	855,020
(278)	(4,604)	146	0	307	(15,913)	(672)	25,657
						4 30	307
2,145	5,556 (471)			(4,970)	5,185	6,940	35,868
2,145	5,085	0	0	(4,970)	5,189	(8,763)	(94,720)
1,867	481	146		(4,663)	(10,724)	(9,435)	(32,888)
6,437	50,868	13,459	42	132,854	43,000	129,658	487,032
\$ 8,304	\$ 51,349	\$ 13,605	\$ 42	\$ 128,191	\$ 32,276	\$ 120,223	\$ 454,144

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2016
(Expressed in Thousands)**

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$ 5,855	\$ 71	\$ 5,926
Restricted Cash		3	3
Investments	4,015	766	4,781
Restricted Investments		20,015	20,015
Receivables from:			
Interest and Dividends		22	22
Other, net		12,238	12,238
Total Assets	\$ 9,870	\$ 33,115	\$ 42,985
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources:			
Unavailable Revenue	\$	\$ 12,238	\$ 12,238
Total Deferred Inflows of Resources	0	12,238	12,238
Fund Balances:			
Restricted	9,870	20,877	30,747
Total Fund Balances	9,870	20,877	30,747
Total Deferred Inflows of Resources and Fund Balances	\$ 9,870	\$ 33,115	\$ 42,985

**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, 2016
(Expressed in Thousands)**

	<u>Building Authority</u>	<u>Tobacco Securitization</u>	<u>Total</u>
Revenue:			
Use of Money and Property	\$	\$ 68	\$ 68
Tobacco Settlement		24,582	24,582
Other Revenue	106		106
Total Revenue	<u>106</u>	<u>24,650</u>	<u>24,756</u>
Expenditures:			
Current:			
General Government	142	114	256
Debt Service:			
Principal	3,880	12,535	16,415
Interest	4,724	4,453	9,177
Bond Issuance Costs	6		6
Total Expenditures	<u>8,752</u>	<u>17,102</u>	<u>25,854</u>
Excess of Revenue Over (Under) Expenditures	(8,646)	7,548	(1,098)
Other Financing Sources (Uses):			
Transfers In	4,054		4,054
Transfers Out	(15)	(7,568)	(7,583)
Total Other Financing Sources (Uses)	<u>4,039</u>	<u>(7,568)</u>	<u>(3,529)</u>
Net Change in Fund Balances	(4,607)	(20)	(4,627)
Fund Balances at Beginning of Year	14,477	20,897	35,374
Fund Balances at End of Year	<u>\$ 9,870</u>	<u>\$ 20,877</u>	<u>\$ 30,747</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2016
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 73,691	\$ 102,669	\$ 2,708	\$ 1,723	\$ 886
Receivables:					
Interest and Dividends	239		5	7	2
Other Funds	500	82			
Component Units					
Other Governments		241			138
Loans and Notes, net	4,496				
Other, net	68	1,418		8	16
Inventory					1,405
Other Assets					
Total Current Assets	78,994	104,410	2,713	1,738	2,447
Restricted Assets:					
Net Pension Asset	78		4	85	85
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant, and Equipment	28			3,414	559
Accumulated Depreciation	(28)			(3,029)	(456)
Construction in Progress				3,795	
Total Capital Assets	0	0	0	4,372	206
Other Noncurrent Assets	35,112				
Total Assets	114,184	104,410	2,717	6,195	2,738
Deferred Outflows of Resources					
Deferred Outflow Related to Pensions	144		8	160	159
Total Deferred Outflows of Resources	144	0	8	160	159
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	40		2	627	50
Payable to:					
Other Funds	8	36		9	5
Claims, Judgments, and Compensated Absences	12		1	30	51
Unearned Revenue				842	
Total Current Liabilities	60	36	3	1,508	106
Noncurrent Liabilities:					
Claims, Judgments, and Compensated Absences	10		1	26	45
Total Noncurrent Liabilities	10	0	1	26	45
Total Liabilities	70	36	4	1,534	151
Deferred Inflows of Resources					
Deferred Inflow Related to Pensions	116		6	127	126
Total Deferred Inflows of Resources	116	0	6	127	126
Net Position					
Net Investment in Capital Assets				4,372	205
Restricted for Pensions	106		6	118	118
Restricted for Other	1,879				
Unrestricted	112,157	104,374	2,709	204	2,297
Total Net Position	\$ 114,142	\$ 104,374	\$ 2,715	\$ 4,694	\$ 2,620

<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>
\$ 3,151	\$ 547	\$	\$ 11,344	\$ 6,330	\$ 2,722	\$ 205,771
275	7		31	17	6	589
	1,352					1,934
	49					49
					6	385
834						5,330
	96		3		10	1,619
	810				50	2,265
	5				58	63
<u>4,260</u>	<u>2,866</u>	<u>0</u>	<u>11,378</u>	<u>6,347</u>	<u>2,852</u>	<u>218,005</u>
28	134		669	353	185	1,621
						295
18	2,235		109		315	6,678
(17)	(1,513)		(67)		(139)	(5,249)
					2	3,797
<u>1</u>	<u>722</u>	<u>0</u>	<u>42</u>	<u>0</u>	<u>178</u>	<u>5,521</u>
4,250						39,362
<u>8,539</u>	<u>3,722</u>	<u>0</u>	<u>12,089</u>	<u>6,700</u>	<u>3,215</u>	<u>264,509</u>
48	253		1,260	670	361	3,063
<u>48</u>	<u>253</u>	<u>0</u>	<u>1,260</u>	<u>670</u>	<u>361</u>	<u>3,063</u>
11	425		512	2,557	200	4,424
2	31		75	15	44	225
12	67		249	152	74	648
	3		727			1,572
<u>25</u>	<u>526</u>	<u>0</u>	<u>1,563</u>	<u>2,724</u>	<u>318</u>	<u>6,869</u>
11	59		218	134	59	563
<u>11</u>	<u>59</u>	<u>0</u>	<u>218</u>	<u>134</u>	<u>59</u>	<u>563</u>
<u>36</u>	<u>585</u>	<u>0</u>	<u>1,781</u>	<u>2,858</u>	<u>377</u>	<u>7,432</u>
42	200		996	526	275	2,414
<u>42</u>	<u>200</u>	<u>0</u>	<u>996</u>	<u>526</u>	<u>275</u>	<u>2,414</u>
1	722		42		178	5,520
34	187		933	497	271	2,270
						1,879
8,474	2,281		9,597	3,489	2,475	248,057
<u>\$ 8,509</u>	<u>\$ 3,190</u>	<u>\$ 0</u>	<u>\$ 10,572</u>	<u>\$ 3,986</u>	<u>\$ 2,924</u>	<u>\$ 257,726</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits, and Fees	\$	\$	\$	\$ 570	\$
Use of Money and Property	735			527	
Sales and Services	153			1,574	4,679
Administering Programs				60	
Assessments		37,898	3,493		
Other Revenue				296	1
Total Operating Revenue	888	37,898	3,493	3,027	4,680
Operating Expenses:					
Personal Services and Benefits	138		24	834	524
Travel	5			15	6
Contractual Services	258			1,727	812
Supplies and Materials	12			465	3,197
Other	12			72	
Depreciation/Amortization	2			22	9
Insurance Claims		27,611	1,726		
Total Operating Expenses	427	27,611	1,750	3,135	4,548
Operating Income (Loss)	461	10,287	1,743	(108)	132
Nonoperating Revenue (Expenses):					
Interest Income	1,591	2,695	38	55	16
Other Expense	(258)			(1)	
Grant and Other Income					
Total Nonoperating Revenue (Expenses)	1,333	2,695	38	54	16
Income (Loss) Before Capital Contributions and Transfers	1,794	12,982	1,781	(54)	148
Capital Contributions and Transfers:					
Capital Contributions				727	
Transfers In	2,053	922		273	
Transfers Out		(544)	(1)		
Net Capital Contributions and Transfers	2,053	378	(1)	1,000	0
Change in Net Position	3,847	13,360	1,780	946	148
Net Position at Beginning of Year	110,295	91,014	935	3,748	2,472
Net Position at End of Year	\$ 114,142	\$ 104,374	\$ 2,715	\$ 4,694	\$ 2,620

<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>
\$ 25	\$	\$	\$ 7,776	\$ 3,991	\$ 1,788	\$ 14,150
410						1,672
68	9,600	1	242	319	1,001	17,637
			52			112
						41,391
16	4		217	21	32	587
519	9,604	1	8,287	4,331	2,821	75,549
80	760	13	4,019	2,057	1,698	10,147
9	15		595	170	152	967
206	387	5	3,087	546	862	7,890
101	6,935		275	27	300	11,312
136		31	3		34	288
	65		9		24	131
		47				29,384
532	8,162	96	7,988	2,800	3,070	60,119
(13)	1,442	(95)	299	1,531	(249)	15,430
69	50	(10)	232	127	42	4,905
(1)			(2)	(1)		(263)
135		31			17	183
203	50	21	230	126	59	4,825
190	1,492	(74)	529	1,657	(190)	20,255
						727
				8	89	3,345
	(2,142)	(3,354)	(92)	(85)		(6,218)
0	(2,142)	(3,354)	(92)	(77)	89	(2,146)
190	(650)	(3,428)	437	1,580	(101)	18,109
8,319	3,840	3,428	10,135	2,406	3,025	239,617
\$ 8,509	\$ 3,190	\$ 0	\$ 10,572	\$ 3,986	\$ 2,924	\$ 257,726

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2016
(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	\$ 153	\$ 37,838	\$ 3,493	\$ 2,741	\$ 2,654
Receipts from Interfund Services Provided					1,809
Receipts from Federal Agencies					165
Receipts from Loan Payments	11,262				
Payments to Suppliers and for Benefits and Claims	(213)	(27,612)	(1,726)	(2,255)	(3,852)
Payments for Employee Services	(143)		(25)	(832)	(516)
Payments for Interfund Services Used	(63)			(89)	(87)
Payments for Loans Originated	(15,472)				
Other Receipts (Payments)		(141)		296	1
Net Cash Provided (Used) by Operating Activities	(4,476)	10,085	1,742	(139)	174
Cash Flows From Capital and Related Financing Activities:					
Capital Contributions				727	
Purchases of Capital Assets					
Construction in Progress				(3,289)	
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(2,562)	0
Cash Flows From Noncapital Financing Activities:					
Transfers In	2,553	922		273	
Transfers Out		(544)	(1)		
Other Noncapital Financing Activities	(256)				
Net Cash Provided (Used) by Noncapital Financing Activities	2,297	378	(1)	273	0
Cash Flows From Investing Activities:					
Investment Income	1,570	2,695	38	52	15
Investment Expense	(15)			(1)	
Net Cash Provided (Used) by Investing Activities	1,555	2,695	38	51	15
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(624)	13,158	1,779	(2,377)	189
Cash and Cash Equivalents at Beginning of Year	74,315	89,511	929	4,100	697
Cash and Cash Equivalents at End of Year	\$ 73,691	\$ 102,669	\$ 2,708	\$ 1,723	\$ 886
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 461	\$ 10,287	\$ 1,743	\$ (108)	\$ 132
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	2			22	9
Bad Debt Expense					
Miscellaneous Nonoperating Items	12				
Decrease/(Increase) in Assets:					
Accounts Receivable	48	37		12	(8)
Interest, Dividends, and Penalties Receivable	6				
Loans and Notes Receivable	(4,999)				
Due From Other Funds		(35)			1
Due From Component Units					
Due From Other Governments		(97)			(45)
Inventory					113
Other Assets					
Restricted Net Pension Asset	59		2	56	71
Decrease/(Increase) in Deferred Outflows of Resources:					
Deferred Outflows Related to Pensions	(22)		(2)	(34)	(23)
Increase/(Decrease) in Liabilities:					
Accounts Payable	(2)	(1)		(61)	(38)
Accrued Liabilities	3			6	3
Compensated Absences Payable	(2)			11	12
Due To Other Funds		(106)		(7)	1
Due To Other Governments				3	
Unearned Revenue				(2)	
Policy Claim Liabilities					
Other Liabilities					
Increase/(Decrease) in Deferred Inflows of Resources:					
Deferred Inflows Related to Pensions	(42)		(1)	(37)	(54)
Net Cash Provided (Used) by Operating Activities	\$ (4,476)	\$ 10,085	\$ 1,742	\$ (139)	\$ 174

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 91	\$ 851 9,128	\$ 77	\$ 8,081 72	\$ 4,310	\$ 2,825 14	\$ 63,114 11,023
						165
1,441						12,703
(259)	(6,787)	(131)	(3,100)	(3,070)	(999)	(50,004)
(64)	(748)		(4,109)	(2,105)	(1,738)	(10,280)
(16)	(1,794)	(4)	(754)	(161)	(253)	(3,221)
(1,349)						(16,821)
16			75	21	1	269
(140)	650	(58)	265	(1,005)	(150)	6,948
						727
	(84)				(21)	(105)
						(3,289)
0	(84)	0	0	0	(21)	(2,667)
				8	90	3,846
(8)	(2,143)	(3,354)	(92)	(85)		(6,227)
135		31			17	(73)
127	(2,143)	(3,323)	(92)	(77)	107	(2,454)
69	50	5	229	125	41	4,889
(1)			(2)	(1)		(20)
68	50	5	227	124	41	4,869
55	(1,527)	(3,376)	400	(958)	(23)	6,696
3,096	2,074	3,376	10,944	7,288	2,745	199,075
\$ 3,151	\$ 547	\$ 0	\$ 11,344	\$ 6,330	\$ 2,722	\$ 205,771
\$ (13)	\$ 1,442	\$ (95)	\$ 299	\$ 1,531	\$ (249)	\$ 15,430
	65		9		24	131
77						77
(66)						(54)
	(52)	108	(3)		(9)	133
(225)						(219)
66						(4,933)
	(1,220)		14			(1,240)
	(15)					(15)
					11	(131)
	161				12	286
	7				89	96
58	105	18	421	236	116	1,142
23	(42)	14	(283)	(144)	(91)	(604)
3	268	(10)	90	(2,489)	1	(2,239)
(1)	23		19	6	(4)	55
(6)	(5)		23	11	17	61
1	(2)	(1)	1		(4)	(117)
						3
	(8)		(58)			(68)
		(71)				(71)
					10	10
(57)	(77)	(21)	(267)	(156)	(73)	(785)
\$ (140)	\$ 650	\$ (58)	\$ 265	\$ (1,005)	\$ (150)	\$ 6,948

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2016
(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	\$ 41,256	\$ 4,255	\$ 1,856	\$ 1,098	\$ 1,033	\$ 626
Receivables:						
Interest and Dividends	152	8	5	4	1	2
Other Funds		2,226	1,035	1,272	1,065	349
Component Units		3	323	109		
Other Governments						
Other	1,713		17	2		1
Inventory		9	84			203
Other Assets	400	1,082	793	1,070		
Total Current Assets	43,521	7,583	4,113	3,555	2,099	1,181
Restricted Assets:						
Net Pension Asset	137	2,878	922	276	511	58
Capital Assets:						
Property, Plant, and Equipment		18,832	2,612	13,191	1,306	706
Accumulated Depreciation		(15,462)	(2,357)	(11,185)	(1,209)	(442)
Construction in Progress			300			
Total Capital Assets	0	3,370	555	2,006	97	264
Total Assets	43,658	13,831	5,590	5,837	2,707	1,503
Deferred Outflows of Resources						
Deferred Outflow Related to Pensions	255	5,443	1,733	520	959	109
Total Deferred Outflows of Resources	255	5,443	1,733	520	959	109
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,348	1,107	831	119	321	34
Payable to:						
Other Funds	78	133	235	100	52	7
Component Units						
Bonds, Notes, and Leases Payable		641				55
Claims, Judgments, and Compensated Absences	12,755	1,307	482	147	194	34
Unearned Revenue	11,785	52				
Total Current Liabilities	26,966	3,240	1,548	366	567	130
Noncurrent Liabilities:						
Bonds, Notes, and Leases Payable		1,203				140
Claims, Judgments, and Compensated Absences	25	1,149	423	129	171	30
Other Noncurrent Liabilities	45					
Total Noncurrent Liabilities	70	2,352	423	129	171	170
Total Liabilities	27,036	5,592	1,971	495	738	300
Deferred Inflows of Resources						
Deferred Inflow Related to Pensions	204	4,283	1,372	411	761	86
Total Deferred Inflows of Resources	204	4,283	1,372	411	761	86
Net Position						
Net Investment in Capital Assets		1,526	555	2,007	97	69
Restricted for Pensions	188	4,038	1,283	385	709	81
Unrestricted	16,485	3,835	2,142	3,059	1,361	1,076
Total Net Position	\$ 16,673	\$ 9,399	\$ 3,980	\$ 5,451	\$ 2,167	\$ 1,226

<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>
\$ 489	\$ 11,278	\$ 2,466	\$ 876	\$ 4,343	\$ 4,005	\$ 73,581
1	30	2	3	13	10	231
103		1,178	457		787	8,472
93		197			87	812
					111	111
1	34	14	3	4	125	1,914
					266	562
55			5	178		3,583
742	11,342	3,857	1,344	4,538	5,391	89,266
69	45	108	542	34	1,008	6,588
2,195	58	56,687	5		10,958	106,550
(2,112)	(58)	(34,716)	(5)		(4,948)	(72,494)
						300
83	0	21,971	0	0	6,010	34,356
894	11,387	25,936	1,886	4,572	12,409	130,210
131	87	203	1,016	65	1,893	12,414
131	87	203	1,016	65	1,893	12,414
27	51	476	227	19	544	6,104
18	9	406	51	4	215	1,308
		31			9	40
		3,803			43	4,542
44	1,735	38	231	3,598	515	21,080
					7	11,844
89	1,795	4,754	509	3,621	1,333	44,918
		11,491			44	12,878
38	2,862	33	203	22,384	429	27,876
						45
38	2,862	11,524	203	22,384	473	40,799
127	4,657	16,278	712	26,005	1,806	85,717
102	66	161	807	50	1,501	9,804
102	66	161	807	50	1,501	9,804
83		6,677			5,922	16,936
98	66	150	751	49	1,400	9,198
615	6,685	2,873	632	(21,467)	3,673	20,969
\$ 796	\$ 6,751	\$ 9,700	\$ 1,383	\$ (21,418)	\$ 10,995	\$ 47,103

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2016
(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	\$	\$	\$	\$	\$	\$
Sales and Services	119,661	24,081	15,322	4,358	6,313	3,784
Other Revenue	4,123	44	5	12	2	
Total Operating Revenue	<u>123,784</u>	<u>24,125</u>	<u>15,327</u>	<u>4,370</u>	<u>6,315</u>	<u>3,784</u>
Operating Expenses:						
Personal Services and Benefits	693	16,539	5,118	1,511	3,061	361
Travel	27	108	117	9	3	
Contractual Services	28,537	4,110	9,408	2,288	2,312	177
Supplies and Materials	70	430	317	97	864	3,095
Grant and Other						
Interest		38	1		1	6
Depreciation/Amortization		1,711	289	428	13	77
Insurance Claims	111,771					
Total Operating Expenses	<u>141,098</u>	<u>22,936</u>	<u>15,250</u>	<u>4,333</u>	<u>6,254</u>	<u>3,716</u>
Operating Income (Loss)	(17,314)	1,189	77	37	61	68
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets			7		13	
Loss on Disposal of Assets						
Interest Income	1,158	60	36	27	9	6
Other Expense	(11)	(1)	(1)			
Grant and Other Income						
Total Nonoperating Revenue (Expenses)	<u>1,147</u>	<u>59</u>	<u>42</u>	<u>27</u>	<u>22</u>	<u>6</u>
Income (Loss) Before Capital Contributions and Transfers	(16,167)	1,248	119	64	83	74
Capital Contributions and Transfers:						
Capital Contribution						
Transfers In				621		
Net Capital Contributions and Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>621</u>	<u>0</u>	<u>0</u>
Change in Net Position	(16,167)	1,248	119	685	83	74
Net Position at Beginning of Year	32,840	8,151	3,861	4,766	2,084	1,152
Net Position at End of Year	<u>\$ 16,673</u>	<u>\$ 9,399</u>	<u>\$ 3,980</u>	<u>\$ 5,451</u>	<u>\$ 2,167</u>	<u>\$ 1,226</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$	\$
808	1,557	13,597	4,316	4,030	9	9
	195	27	17	21	10,764	208,591
808	1,752	13,624	4,333	4,051	10,877	213,150
405	458	637	3,297	237	5,820	38,137
7	38	10	80	1	357	757
268	746	2,387	914	199	1,808	53,154
69	25	6,519	147	10	2,105	13,748
					2	2
		287			9	342
43		4,576			496	7,633
	1,769			3,828	332	117,700
792	3,036	14,416	4,438	4,275	10,929	231,473
16	(1,284)	(792)	(105)	(224)	(52)	(18,323)
		451				471
		(66)				(66)
10	227	20	20	98	78	1,749
	(2)			(1)		(16)
		14				14
10	225	419	20	97	78	2,152
26	(1,059)	(373)	(85)	(127)	26	(16,171)
					131	131
			261		519	1,401
0	0	0	261	0	650	1,532
26	(1,059)	(373)	176	(127)	676	(14,639)
770	7,810	10,073	1,207	(21,291)	10,319	61,742
\$ 796	\$ 6,751	\$ 9,700	\$ 1,383	\$ (21,418)	\$ 10,995	\$ 47,103

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2016
(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	\$ 67,793	\$ 433	\$ 4,189	\$ 412	\$ 6	\$ 174
Receipts from Interfund Services Provided	52,629	23,500	11,124	3,705	6,615	3,637
Payments to Suppliers and for Benefits and Claims	(141,055)	(3,512)	(8,990)	(1,615)	(2,541)	(3,231)
Payments for Employee Services	(747)	(17,070)	(5,244)	(1,577)	(3,100)	(363)
Payments for Interfund Services Used	(1,315)	(1,170)	(1,097)	(1,103)	(727)	(96)
Other Receipts (Payments)	4,424	96	6	12	2	
Net Cash Provided (Used) by Operating Activities	(18,271)	2,277	(12)	(166)	255	121
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(100)	(11)	(52)	(18)	(33)
Construction in Progress				(314)		
Sales of Capital Assets			7		13	
Payments on Capital Lease Obligations		(1,099)				(59)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,199)	(4)	(366)	(5)	(92)
Cash Flows From Noncapital Financing Activities:						
Transfers In				621		
Transfers Out						
Other Noncapital Financing Activities						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	621	0	0
Cash Flows From Investing Activities:						
Investment Income	1,139	58	35	26	9	7
Investment Expense	(11)	(1)				
Net Cash Provided (Used) by Investing Activities	1,128	57	35	26	9	7
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(17,143)	1,135	19	115	259	36
Cash and Cash Equivalents at Beginning of Year	58,399	3,120	1,837	983	774	590
Cash and Cash Equivalents at End of Year	\$ 41,256	\$ 4,255	\$ 1,856	\$ 1,098	\$ 1,033	\$ 626
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (17,314)	\$ 1,189	\$ 77	\$ 37	\$ 61	\$ 68
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,711	289	428	13	77
Interest Expense		56				6
Decrease/(Increase) in Assets:						
Accounts Receivable	(687)		1	(1)		1
Due From Other Funds		(148)	(17)	(220)	309	29
Due From Component Units			7	(21)		
Due From Other Governments						
Inventory		(1)	32			(58)
Other Assets	(100)	52	(66)	(345)	13	
Restricted Net Pension Asset	70	1,791	615	130	331	43
Decrease/(Increase) in Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	(66)	(1,257)	(361)	(149)	(206)	(20)
Increase/(Decrease) in Liabilities:						
Accounts Payable	711	(98)	(187)	(3)	(25)	
Accrued Liabilities		26	(5)	17	(7)	1
Compensated Absences Payable	(20)	32	33	1	57	3
Due To Other Funds	19	(4)	16	20	10	
Due To Component Units						
Due To Other Governments	45		(38)		(87)	1
Unearned Revenue	763	52				
Policy Claim Liabilities	(1,656)					
Increase/(Decrease) in Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	(36)	(1,124)	(408)	(60)	(214)	(30)
Net Cash Provided (Used) by Operating Activities	\$ (18,271)	\$ 2,277	\$ (12)	\$ (166)	\$ 255	\$ 121
Noncash Investing, Capital, and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$ 7	\$	\$ 13	\$
Capital Lease Obligations Entered Into		1,022				
Transfers In (Out) of Fixed Assets						

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 395	\$ 470	\$ 2,518	\$ 43	\$ 896	\$ 2,318	\$ 79,647
418	1,086	11,272	4,106	3,161	8,294	129,547
(278)	(1,514)	(7,993)	(770)	(4,166)	(3,064)	(178,729)
(434)	(312)	(652)	(3,399)	(238)	(5,881)	(39,017)
(120)	(356)	(1,020)	(430)	(43)	(1,493)	(8,970)
	13	17			113	4,683
(19)	(613)	4,142	(450)	(390)	287	(12,839)
(13)		(1,805)			(144)	(2,176)
		906				(314)
		(3,243)			(83)	926
						(4,484)
(13)	0	(4,142)	0	0	(227)	(6,048)
			261		520	1,402
			(1)			(1)
		15				15
0	0	15	260	0	520	1,416
10	222	21	20	97	77	1,721
	(2)			(1)	(1)	(16)
10	220	21	20	96	76	1,705
(22)	(393)	36	(170)	(294)	656	(15,766)
511	11,671	2,430	1,046	4,637	3,349	89,347
\$ 489	\$ 11,278	\$ 2,466	\$ 876	\$ 4,343	\$ 4,005	\$ 73,581
\$ 16	\$ (1,284)	\$ (792)	\$ (105)	\$ (224)	\$ (52)	\$ (18,323)
43		4,576			496	7,633
		302			9	373
(1)	(34)	(7)	4	2	(36)	(758)
(3)		143	(186)		(82)	(175)
9		47	2		(14)	30
					(16)	(16)
					39	12
(42)		14		(140)	6	(608)
43	36	68	389	20	718	4,254
(30)	(16)	(45)	(189)	(17)	(360)	(2,716)
	(11)	(26)	(59)	(10)	(35)	257
1	11	1	1	2	6	54
(17)	34	5	(30)	6	73	177
(11)	1	(99)	(5)	(8)	31	(30)
		(2)			8	6
		1			(1)	(79)
					(5)	810
	677			(9)		(988)
(27)	(27)	(44)	(272)	(12)	(498)	(2,752)
\$ (19)	\$ (613)	\$ 4,142	\$ (450)	\$ (390)	\$ 287	\$ (12,839)
\$	\$	\$ 385	\$	\$	\$	\$ 405
		5,097				6,119
					131	131

STATE OF SOUTH DAKOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 June 30, 2016
 (Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Assets					
Cash and Cash Equivalents	\$ 57	\$ 307	\$ 1,179	\$ 951	\$ 2,494
Receivables:					
Due From Other Funds			114		114
Investment Income	433	1		2	436
Other	173	19		1	193
Total Receivables	606	20	114	3	743
Investments, at Fair Value:					
Pooled Investment Funds	212,813				212,813
Total Investments	212,813	0	0	0	212,813
Properties, at cost	14,009			7	14,016
Other Assets				14	14
Total Assets	227,485	327	1,293	975	230,080
Liabilities					
Payables:					
Accounts Payable and Other Liabilities	704	141		3	848
Due To Other Funds			158	27	185
Total Liabilities	704	141	158	30	1,033
Net Position - Restricted for Others	\$ 226,781	\$ 186	\$ 1,135	\$ 945	\$ 229,047

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2016
(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	\$	\$	\$ 6,532	\$ 1,377	\$ 7,909
Other	6,292				6,292
Total Contributions	6,292	0	6,532	1,377	14,201
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	(4,726)				(4,726)
Pooled Interest and Dividends	3,696	4			3,700
Real Estate	812				812
Net Investment Income (Loss)	(218)	4	0	0	(214)
<i>From Security Lending Activities</i>					
Securities Lending Income	40				40
Escheated Property				3	3
Miscellaneous Income		596		18	614
Total Additions	6,114	600	6,532	1,398	14,644
Deductions					
Distribution to School Districts	10,228				10,228
Payments Made for Trust Purposes		539	6,699	1,424	8,662
Administrative Expenses				4	4
Total Deductions	10,228	539	6,699	1,428	18,894
Change in Net Position	(4,114)	61	(167)	(30)	(4,250)
Net Position at Beginning of Year	230,895	125	1,302	975	233,297
Net Position at End of Year	\$ 226,781	\$ 186	\$ 1,135	\$ 945	\$ 229,047



STATE OF SOUTH DAKOTA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2016
 (Expressed in Thousands)

	Department of Revenue Tax Collections	Social Services Child Support	State Auditor Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	\$ 24,932	\$ 2,263	\$ 8,016	\$ 6,765	\$ 1,440	\$ 43,416
Receivables:						
Taxes Receivable, net	41,433					41,433
Due From Other Governments	13					13
Interest and Dividends Receivable	5				1	6
Other	353				42	395
Total Receivables	41,804	0	0	0	43	41,847
Total Assets	\$ 66,736	\$ 2,263	\$ 8,016	\$ 6,765	\$ 1,483	\$ 85,263
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 1,105	\$ 2,263	\$ 34	\$ 6,765	\$ 651	\$ 10,818
Due To Other Governments	65,631		7,982		832	74,445
Total Liabilities	\$ 66,736	\$ 2,263	\$ 8,016	\$ 6,765	\$ 1,483	\$ 85,263

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 20,129	\$ 390,678	\$ 385,875	\$ 24,932
Accounts Receivable	534	353	534	353
Taxes Receivable, net	42,507	41,345	42,419	41,433
Interest and Dividends Receivable	5	5	5	5
Due From Other Governments	12	13	12	13
Total Assets	<u>\$ 63,187</u>	<u>\$ 432,394</u>	<u>\$ 428,845</u>	<u>\$ 66,736</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 1,335	\$ 147	\$ 377	\$ 1,105
Due To Other Governments	61,852	432,247	428,468	65,631
Total Liabilities	<u>\$ 63,187</u>	<u>\$ 432,394</u>	<u>\$ 428,845</u>	<u>\$ 66,736</u>
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 2,118	\$ 113,290	\$ 113,145	\$ 2,263
Total Assets	<u>\$ 2,118</u>	<u>\$ 113,290</u>	<u>\$ 113,145</u>	<u>\$ 2,263</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,118	\$ 113,290	\$ 113,145	\$ 2,263
Total Liabilities	<u>\$ 2,118</u>	<u>\$ 113,290</u>	<u>\$ 113,145</u>	<u>\$ 2,263</u>
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 7,595	\$ 241,634	\$ 241,213	\$ 8,016
Total Assets	<u>\$ 7,595</u>	<u>\$ 241,634</u>	<u>\$ 241,213</u>	<u>\$ 8,016</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 33	\$ 2,524	\$ 2,523	\$ 34
Due To Other Governments	7,562	239,110	238,690	7,982
Total Liabilities	<u>\$ 7,595</u>	<u>\$ 241,634</u>	<u>\$ 241,213</u>	<u>\$ 8,016</u>
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 6,866	\$ 14,099	\$ 14,200	\$ 6,765
Total Assets	<u>\$ 6,866</u>	<u>\$ 14,099</u>	<u>\$ 14,200</u>	<u>\$ 6,765</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 6,866	\$ 14,099	\$ 14,200	\$ 6,765
Total Liabilities	<u>\$ 6,866</u>	<u>\$ 14,099</u>	<u>\$ 14,200</u>	<u>\$ 6,765</u>

Continued on next page

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (continued)
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Other Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 1,673	\$ 58,276	\$ 58,509	\$ 1,440
Accounts Receivable	40	42	40	42
Interest and Dividends Receivable	1	1	1	1
Total Assets	\$ 1,714	\$ 58,319	\$ 58,550	\$ 1,483
Liabilities:				
Accounts Payable and Other Liabilities	\$ 798	\$ 56,813	\$ 56,960	\$ 651
Due To Other Governments	916	1,506	1,590	832
Total Liabilities	\$ 1,714	\$ 58,319	\$ 58,550	\$ 1,483
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 38,381	\$ 817,977	\$ 812,942	\$ 43,416
Accounts Receivable	574	395	574	395
Taxes Receivable, net	42,507	41,345	42,419	41,433
Interest and Dividends Receivable	6	6	6	6
Due From Other Governments	12	13	12	13
Total Assets	\$ 81,480	\$ 859,736	\$ 855,953	\$ 85,263
Liabilities:				
Accounts Payable and Other Liabilities	\$ 11,150	\$ 186,873	\$ 187,205	\$ 10,818
Due To Other Governments	70,330	672,863	668,748	74,445
Total Liabilities	\$ 81,480	\$ 859,736	\$ 855,953	\$ 85,263

STATE OF SOUTH DAKOTA
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 June 30, 2016
 (Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 229,587	\$ 16,393	\$ 234,302	\$ 13,833	\$ 494,115
Receivables:					
Interest and Dividends	5,151	43	1,252	59	6,505
Primary Government	2,500		978		3,478
Other Governments			16,610		16,610
Loans and Notes, net	76,579		6,015	766	83,360
Other, net	1,717	3,800	32,595	281	38,393
Investments	59,756		27,424	861	88,041
Restricted Assets:					
Investments				3,565	3,565
Inventory	3,371	2,445	7,601		13,417
Other Assets		441	4,053	1,229	5,723
Total Current Assets	378,661	23,122	330,830	20,594	753,207
Investments	577,899		341,705	994	920,598
Assets Held for Resale				4,978	4,978
Restricted Assets:					
Cash and Cash Equivalents			70,204	10	70,214
Investments			132,445	2,268	134,713
Net Pension Asset	689	2,158	64,870		67,717
Other			16,384		16,384
Capital Assets:					
Land and Other Non-depreciable Assets	220	19,417	40,615	556	60,808
Property, Plant, and Equipment	10,168	57,762	1,502,289	24,124	1,594,343
Accumulated Depreciation	(4,589)	(11,570)	(624,744)	(1,624)	(642,527)
Construction in Progress		19,259	178,605		197,864
Total Capital Assets	5,799	84,868	1,096,765	23,056	1,210,488
Other Noncurrent Assets, net	622,660	1,607	66,192	9,903	700,362
Total Assets	1,585,708	111,755	2,119,395	61,803	3,878,661
Deferred Outflows of Resources					
Deferred Outflow Related to Pensions	1,306	4,129	122,444		127,879
Deferred Swap Outflow	10,135				10,135
Deferred Forward Contract Outflow	340				340
Deferred Outflow on Debt Refunding	878		4,949		5,827
Total Deferred Outflows of Resources	12,659	4,129	127,393	0	144,181
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	1,325	3,008	50,449	123	54,905
Payable to Primary Government	88		840	1	929
Escrow Payable	9,280				9,280
Bonds, Notes, and Leases Payable	36,933		27,040	461	64,434
Claims, Judgments, and Compensated Absences	148	628	13,273		14,049
Accrued Interest Payable	4,661		4,124	124	8,909
Unearned Revenue			10,926	1,503	12,429
Advances from Primary Government				1,026	1,026
Other Current Liabilities			21,289	13	21,302
Total Current Liabilities	52,435	3,636	127,941	3,251	187,263
Noncurrent Liabilities:					
Bonds, Notes, and Leases Payable	1,004,374		500,317	12,238	1,516,929
Claims, Judgments, and Compensated Absences	573	603	26,582		27,758
Federal Capital Contribution Refundable Advance			38,858		38,858
Advances from Primary Government				22,193	22,193
Other Noncurrent Liabilities	11,426	2,000	14,874	887	29,187
Total Noncurrent Liabilities	1,016,373	2,603	580,631	35,318	1,634,925
Total Liabilities	1,068,808	6,239	708,572	38,569	1,822,188
Deferred Inflows of Resources					
Deferred Inflow Related to Pensions	1,044	3,185	95,717		99,946
Deferred Inflow on Gain on Debt Refinancing	1,125		17		1,142
Total Deferred Inflows of Resources	2,169	3,185	95,734	0	101,088
Net Position					
Net Investment in Capital Assets	(525)	84,524	634,195	1,197	719,391
Restricted for:					
Debt Service	441,376		2,991	5,000	449,367
HOME and NSP Program	71,606				71,606
Higher Education - Expendable			202,719		202,719
Higher Education - Nonexpendable			379,073		379,073
Experiments		4,384			4,384
Mine Closure		1,408			1,408
Sanford Center for Science Education		1,814			1,814
Indemnification		7,500			7,500
Pensions	951	3,103	91,598		95,652
Other	13,982				13,982
Unrestricted		3,727	131,906	17,037	152,670
Total Net Position	\$ 527,390	\$ 106,460	\$ 1,442,482	\$ 23,234	\$ 2,099,566

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2016
(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 Higher Education of \$39,620)	\$	\$	\$ 254,775	\$ 804	\$ 254,775
Use of Money and Property	66,457				67,261
Sales and Services (net of discounts and allowances for scholarships of Higher Education of \$11,337)		248	122,067	2,924	125,239
Administering Programs	27,698	24,889	106,961	700	160,248
Other Revenue	7,009	72	45,529	98	52,708
Total Operating Revenue	101,164	25,209	529,332	4,526	660,231
Operating Expenses:					
Personal Services and Benefits	3,804	10,741	396,947		411,492
Travel	347	194	19,129	12	19,682
Contractual Services	8,909	11,920	114,183	1,899	136,911
Supplies and Materials	3,415	2,251	63,847	179	69,692
Grants and Subsidies	25,483		38,935	2,012	66,430
Other			6,627	55	6,682
Interest	31,090		43	778	31,911
Provisions for Loan Loss (Recovery)	1,756				1,756
Depreciation/Amortization	455	2,056	47,472	850	50,833
Total Operating Expenses	75,259	27,162	687,183	5,785	795,389
Operating Income (Loss)	25,905	(1,953)	(157,851)	(1,259)	(135,158)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets			(2,209)		(2,209)
Interest Income		337	(1,077)	107	(633)
Interest Expense			(22,502)	(712)	(23,214)
Other Expense		(10,060)	(8,305)		(18,365)
State Aid from Primary Government			232,245		232,245
Federal Appropriation			7,192		7,192
Grant and Other Income		2,000	33,883	83	35,966
Total Nonoperating Revenue (Expenses)	0	(7,723)	239,227	(522)	230,982
Income (Loss) Before Capital Grants, Capital Contributions, and Additions to Endowments	25,905	(9,676)	81,376	(1,781)	95,824
Capital Grants		2,283	23,409	3,022	28,714
Capital Contributions				8,500	8,500
Additions to Endowments			7,119		7,119
Change in Net Position	25,905	(7,393)	111,904	9,741	140,157
Net Position at Beginning of Year, as restated	501,485	113,853	1,330,578	13,493	1,959,409
Net Position at End of Year	\$ 527,390	\$ 106,460	\$ 1,442,482	\$ 23,234	\$ 2,099,566

**STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	Higher Education
Cash Flows from Operating Activities:	
Tuition and Fees	\$ 253,652
Auxiliaries	65,853
Sales & Services - General	56,767
Federal Contracts & Grants	72,161
State Contracts & Grants	7,595
Private Contracts & Grants	26,866
Other Revenue and Additions	46
Loans Issued to Students	(6,005)
Loans Collected from Students	5,751
Student Loan Interest	596
Payments for Personal Services Expenditures	(400,026)
Payments for Travel Expenditures	(18,347)
Payments for Contractual Expenditures	(98,002)
Payments for Supply Expenditures and Non-Capitalized Equipment	(60,349)
Payments for Grant and Subsidy Expenditures	(38,455)
Payments for Other Expenditures	(228)
Foundation Activity	10,399
Net Cash Provided (Used) by Operating Activities	(121,726)
Cash Flows from Noncapital Financing Activities:	
General Fund Appropriations	232,245
School & Public Lands	1,883
Federal Fund Appropriations	5,923
Endo/Ecto Tax	779
Federal loan Disbursements	(168,648)
Federal Loan Receipts	168,648
Private Loan Disbursements	(6,808)
Private Loan Receipts	6,808
Federal Capital Contribution - Student Loan	252
Other Revenues & Additions	49,472
Payments for Other Expenditures	(326)
Foundation Activity	22,632
Net Cash Provided (Used) by Noncapital Financing Activities	312,860
Cash Flows from Capital and Related Financing Activities:	
Capital Grants & Contracts	19,647
South Dakota Building Authority Funding	22,067
Proceeds from Capital Debt (Leases)	37,306
Revenue Bond Discounts and Related Costs	(1,022)
Principal Paid on Capital Debt and Leases	(22,354)
Interest Paid on Capital Debt and Leases	(23,042)
Purchase of Capital Assets	(218,884)
Foundation Activity	824
Net Cash Provided (Used) by Capital and Related Financing Activities	(185,458)
Cash Flows from Investing Activities:	
Investment Income	4,415
Foundation Activity	1,171
Net Cash Provided (Used) by Investing Activities	5,586
Net Increase (Decrease) in Cash and Cash Equivalents during the Fiscal Year	11,262
Cash and Cash Equivalents at Beginning of Year	293,245
Cash and Cash Equivalents at End of Year	\$ 304,507

Continued on next page

**STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	<u>Higher Education</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	\$ (157,852)
Adjustments to Reconcile Operating Income (Loss):	
Depreciation Expense	47,472
Bad Debt Expense	576
Loan Cancellation Expense	712
Pension Adjustment	(10,086)
Foundation Activity	(17,387)
Decrease/(Increase) in Assets:	
Accounts Receivable Students	(2,040)
Accounts Receivable - Dept	(616)
Interest Receivable	(60)
Notes Receivable	(247)
Due From Federal Sources	(176)
Due From Primary Govt	636
Due from Component Unit	16,521
Prepaid Expense and Deferred Charges	(732)
Inventory	688
Other Assets	45
Increase/(Decrease) in Liabilities:	
Accounts Payable	(2,669)
Accrued Wages & Benefits	1,018
Due to Primary Government	(177)
Due To Component Unit	(281)
Student Deposits	12
Compensated Absences	401
Deferred Revenue	2,696
Agency Funds Held for Others	(58)
Other Non-Current Liabilities	(122)
Net Cash Provided (Used) by Operating Activities	\$ (121,726)
Noncash Investing, Capital and Financing Activities:	
Transfers In (Out) of Fixed Assets	\$ 3,441
Gain or (Loss) on Disposal of Fixed Assets	2,139
Bond Proceeds Deposited Directly into an Escrow Account	12,108

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS
June 30, 2016
(Expressed in Thousands)

	Business-type Activities					Total
	S.D. Economic Development Finance Authority	Value Added Finance Authority	S.D. Ellsworth Development Authority	S.D. Authority Captive Insurance Co.	S.D. Property and Casualty Captive Insurance Co.	
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 2,160	\$ 1,482	\$ 2,747	\$ 4,367	\$ 3,077	\$ 13,833
Receivables:						
Interest and Dividends	58	1				59
Loans and Notes, net	461	305				766
Other, net			280		1	281
Investments	861					861
Restricted:						
Investments	3,565					3,565
Other Assets			12	150	1,067	1,229
Total Current Assets	7,105	1,788	3,039	4,517	4,145	20,594
Investments	994					994
Assets Held for Resale			4,978			4,978
Restricted Assets:						
Cash and Cash Equivalents	10					10
Investments	2,268					2,268
Capital Assets:						
Land and Other Non-depreciable Assets			556			556
Property, Plant, and Equipment			24,124			24,124
Accumulated Depreciation			(1,624)			(1,624)
Total Capital Assets	0	0	23,056	0	0	23,056
Other Noncurrent Assets, net	9,028	614	261			9,903
Total Assets	19,405	2,402	31,334	4,517	4,145	61,803
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	33		67	10	13	123
Payable to Primary Government			1			1
Bonds, Notes, and Leases Payable	380	81				461
Accrued Interest Payable	116	8				124
Unearned Revenue			1,503			1,503
Advances from Primary Government			1,026			1,026
Other Current Liabilities				13		13
Total Current Liabilities	529	89	2,597	23	13	3,251
Noncurrent Liabilities:						
Bonds, Notes, and Leases Payable	9,073	1,544	1,621			12,238
Advances from Primary Government			22,193			22,193
Other Noncurrent Liabilities	845			42		887
Total Noncurrent Liabilities	9,918	1,544	23,814	42	0	35,318
Total Liabilities	10,447	1,633	26,411	65	13	38,569
Net Position						
Net Investment in Capital Assets			1,197			1,197
Restricted for:						
Debt Service	5,000					5,000
Unrestricted	3,958	769	3,726	4,452	4,132	17,037
Total Net Position	\$ 8,958	\$ 769	\$ 4,923	\$ 4,452	\$ 4,132	\$ 23,234

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2016
(Expressed in Thousands)**

	Business-type Activities					Total
	S.D. Economic Development Finance Authority	Value Added Finance Authority	S.D. Ellsworth Development Authority	S.D. Authority Captive Insurance Co.	S.D. Property and Casualty Captive Insurance Co.	
Operating Revenue:						
Use of Money and Property	\$ 781	\$ 23	\$	\$	\$	\$ 804
Sales and Services			2,546	138	240	2,924
Administering Programs			700			700
Other Revenue		5	93			98
Total Operating Revenue	781	28	3,339	138	240	4,526
Operating Expenses:						
Travel			12			12
Contractual Services	53		1,607	131	108	1,899
Supplies and Materials			179			179
Grant and Subsidies			2,012			2,012
Other				55		55
Interest	778					778
Depreciation/Amortization			850			850
Total Operating Expenses	831	0	4,660	186	108	5,785
Operating Income (Loss)	(50)	28	(1,321)	(48)	132	(1,259)
Nonoperating Revenue (Expenses):						
Interest Income	94	2	11			107
Interest Expense		(14)	(698)			(712)
Grant and Other Income		83				83
Total Nonoperating Revenue (Expenses)	94	71	(687)	0	0	(522)
Income (Loss) Before Capital Grants and Capital Contributions	44	99	(2,008)	(48)	132	(1,781)
Capital Grants			3,022			3,022
Capital Contributions				4,500	4,000	8,500
Change in Net Position	44	99	1,014	4,452	4,132	9,741
Net Position at Beginning of Year	8,914	670	3,909			13,493
Net Position at End of Year	\$ 8,958	\$ 769	\$ 4,923	\$ 4,452	\$ 4,132	\$ 23,234





STATISTICAL SECTION



STATISTICAL SECTION

State of South Dakota
Net Position by Component
Last Ten Fiscal Years

(Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental Activities:					
Net Investment in Capital Assets	\$ 3,804,409	\$ 3,713,057	\$ 3,673,267	\$ 3,548,433	\$ 3,480,152
Restricted	1,509,441	1,537,781	1,383,140	1,241,520	1,114,366
Unrestricted	254,579	264,916	246,555	202,835	158,316
Total Governmental Activities Net Position	\$ 5,568,429	\$ 5,515,754	\$ 5,302,962	\$ 4,992,788	\$ 4,752,834
Business-type Activities:					
Net Investment in Capital Assets	\$ 6,357	\$ 2,810	\$ 3,650	\$ 4,379	\$ 3,893
Restricted	5,481	6,155	912	916	891
Unrestricted	660,697	624,416	588,495	545,751	520,208
Total Business-type Activities Net Position	\$ 672,535	\$ 633,381	\$ 593,057	\$ 551,046	\$ 524,992
Primary Government:					
Net Investment in Capital Assets	\$ 3,810,766	\$ 3,715,867	\$ 3,676,917	\$ 3,552,812	\$ 3,305,189
Restricted	1,514,922	1,543,936	1,384,052	1,242,436	1,146,387
Unrestricted	915,276	889,332	835,050	748,586	593,884
Total Primary Government Net Position	\$ 6,240,964	\$ 6,149,135	\$ 5,896,019	\$ 5,543,834	\$ 5,045,460

	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental Activities:					
Net Investment in Capital Assets	\$ 3,300,829	\$ 3,211,673	\$ 3,101,101	\$ 3,053,427	\$ 2,947,980
Restricted	1,144,456	1,004,704	897,491	1,032,035	1,091,917
Unrestricted	95,317	79,854	67,523	67,587	70,308
Total Governmental Activities Net Position	\$ 4,540,602	\$ 4,296,231	\$ 4,066,115	\$ 4,153,049	\$ 4,110,205
Business-type Activities:					
Net Investment in Capital Assets	\$ 4,360	\$ 4,863	\$ 2,299	\$ 2,565	\$ 2,829
Restricted	1,931	2,138	302,713	284,272	284,322
Unrestricted	498,567	445,444	102,607	122,595	94,300
Total Business-type Activities Net Position	\$ 504,858	\$ 452,445	\$ 407,619	\$ 409,432	\$ 381,451
Primary Government:					
Net Investment in Capital Assets	\$ 3,305,189	\$ 3,216,536	\$ 3,103,400	\$ 3,055,992	\$ 2,950,809
Restricted	1,146,387	1,006,842	1,200,204	1,316,307	1,376,239
Unrestricted	593,884	525,298	170,130	190,182	164,608
Total Primary Government Net Position	\$ 5,045,460	\$ 4,748,676	\$ 4,473,734	\$ 4,562,481	\$ 4,491,656

Source: South Dakota Comprehensive Annual Financial Reports (FY 2007-2016). Previous years' amounts are not restated.

**State of South Dakota
Changes in Net Position
Last Ten Fiscal Years**

(Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
General Government	\$ 198,079	\$ 185,273	\$ 180,221	\$ 169,843	\$ 164,005	\$ 157,405	\$ 146,193	\$ 170,900	\$ 175,272	\$ 194,266
Education - Elementary, Secondary, and Vocational Schools	210,777	210,271	206,939	201,177	211,413	218,959	212,919	195,534	200,226	186,599
Education - State Support to Higher Education	232,245	192,950	219,341	176,294	171,701	185,757	182,681	196,007	170,348	160,725
Health, Human, and Social Services	1,423,411	1,406,586	1,380,648	1,367,355	1,354,764	1,354,829	1,337,922	1,200,436	1,127,618	1,043,771
Law, Justice, Public Protection, and Regulation	269,583	279,097	321,186	277,223	286,127	286,824	241,217	243,805	233,676	232,526
Agriculture and Natural Resources	153,087	140,921	152,666	144,245	130,279	151,116	130,943	118,686	114,783	123,135
Economic Resources	56,138	74,004	40,121	43,300	40,865	51,157	52,966	45,006	47,226	39,371
Transportation	561,536	507,300	473,323	537,497	482,400	508,548	457,081	408,482	316,113	362,680
Intergovernmental - Payments to School Districts	421,666	404,909	393,606	394,857	375,000	412,310	405,947	400,162	376,843	346,582
Intergovernmental - Revenue Sharing	173,721	169,514	161,564	141,514	122,320	100,493	103,425	99,064	103,633	101,669
Unallocated Interest Expense	6,627	6,712	9,198	14,537	17,393	18,711	19,820	21,514	22,805	23,191
Unallocated Depreciation	53	53	53	53	53	58	58	58	58	58
Total Governmental Activities Expenses	3,706,923	3,577,590	3,538,866	3,467,895	3,356,328	3,446,167	3,291,172	3,099,654	2,888,601	2,814,573
Business-type Activities:										
Lottery	43,454	41,053	42,806	44,114	39,877	36,775	35,411	32,767	33,419	31,404
Clean Water State Revolving	8,290	9,673	9,879	10,898	16,406	11,109	4,455	4,777	4,486	3,996
Drinking Water State Revolving	9,031	8,651	9,352	10,337	10,936	11,964	5,066	3,253	2,855	2,720
Other	60,382	56,081	66,042	81,648	92,096	100,406	125,993	89,451	54,688	56,247
Total Business-type Activities Expenses	121,157	115,458	128,079	146,997	159,315	160,254	170,925	130,248	95,448	94,367
Total Primary Government Expenses	\$ 3,828,080	\$ 3,693,048	\$ 3,666,945	\$ 3,614,892	\$ 3,515,643	\$ 3,606,421	\$ 3,462,097	\$ 3,229,902	\$ 2,984,049	\$ 2,908,940
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 236,003	\$ 244,728	\$ 227,851	\$ 212,529	\$ 194,439	\$ 170,598	\$ 166,457	\$ 158,248	\$ 147,597	\$ 142,225
Education - Elementary, Secondary, and Vocational Schools	10,016	8,489	7,687	7,888	6,147	5,843	6,204	2,489	3,451	4,137
Health, Human, and Social Services	41,741	39,058	36,597	38,098	33,030	36,256	36,758	25,865	25,858	25,506
Law, Justice, Public Protection, and Regulation	82,456	85,252	76,048	80,750	66,235	60,555	57,213	50,888	50,335	49,435
Agriculture and Natural Resources	83,921	76,994	77,514	72,972	69,331	67,815	64,940	61,572	65,783	54,403
Economic Resources	452	1,611	3,789	3,064	3,268	1,332	1,796	2,379	2,011	1,788
Transportation	14,755	9,007	6,979	6,682	7,514	7,776	6,301	6,052	6,815	6,007
Operating Grants and Contributions	1,475,671	1,493,542	1,582,641	1,588,413	1,670,046	1,838,312	1,768,957	1,447,753	1,246,925	1,258,548
Capital Grants and Contributions	7,045	21,946	1,516	1,046	1,608	3,945	2,275	2,519	25,395	1,000
Total Governmental Activities Program Revenues	1,952,060	1,980,627	2,020,622	2,011,442	2,051,618	2,192,432	2,110,901	1,757,765	1,574,170	1,543,049
Business-type Activities:										
Charges for Services:										
Lottery	160,728	152,362	148,323	151,414	143,078	144,460	154,669	152,590	156,241	152,697
Clean Water State Revolving	6,899	6,856	6,019	5,277	5,677	6,014	5,781	4,954	4,826	4,479
Drinking Water State Revolving	4,333	4,197	4,327	4,321	4,922	4,807	3,997	3,696	3,582	3,460
Other	75,454	71,243	81,681	85,946	94,455	112,210	119,048	60,925	59,152	54,166
Operating Grants and Contributions	32,772	30,005	33,994	30,519	30,910	52,926	50,927	26,272	21,879	26,262
Capital Grants and Contributions	727	2,810								
Total Business-type Activities Program Revenues	280,913	267,473	274,344	277,477	279,042	320,417	334,422	248,437	245,680	241,064
Total Primary Government Program Revenues	\$ 2,232,973	\$ 2,248,100	\$ 2,294,966	\$ 2,288,919	\$ 2,330,660	\$ 2,512,849	\$ 2,445,323	\$ 2,006,202	\$ 1,819,850	\$ 1,784,113
Net (Expense)/Revenue										
Governmental Activities	\$ (1,754,863)	\$ (1,596,963)	\$ (1,518,244)	\$ (1,456,453)	\$ (1,304,710)	\$ (1,253,735)	\$ (1,180,271)	\$ (1,341,889)	\$ (1,314,431)	\$ (1,271,524)
Business-type Activities	159,756	152,015	146,265	130,480	119,727	160,163	163,497	118,189	150,232	146,697
Total Primary Government Net (Expense)/Revenue	\$ (1,595,107)	\$ (1,444,948)	\$ (1,371,979)	\$ (1,325,973)	\$ (1,184,983)	\$ (1,093,572)	\$ (1,016,774)	\$ (1,223,700)	\$ (1,164,199)	\$ (1,124,827)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Sales Taxes	\$ 905,475	\$ 871,402	\$ 858,001	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133
Motor Fuel Taxes	184,105	151,901	136,395	139,048	130,864	130,542	127,807	124,442	125,005	146,851
Contractors Excise Taxes	104,979	101,678	93,746	94,967	90,636	66,518	85,973	71,533	79,137	81,069
Bank Card and Franchise Taxes	25,943	20,669	23,943	49,493	32,941	16,954	16,674	55,260	62,036	76,497
Other Taxes	360,917	331,649	311,397	299,726	297,750	266,415	273,535	261,176	264,944	211,452
Investment Earnings	14,997	47,130	142,003	130,881	29,255	143,106	101,246	(91,586)	(18,946)	137,568
Gain on Sale of Capital Assets	2,057	1,198	2,726	2,127	3,915	819	526	919	1,135	1,305
Miscellaneous	88,463	81,275	133,988	76,047	51,652	41,519	36,625	52,288	41,805	39,667
Special Items			17,619							
Transfers	120,602	113,558	102,937	104,426	100,257	107,750	118,671	120,002	122,251	120,065
Total Governmental Activities	1,807,538	1,720,460	1,822,755	1,699,415	1,516,942	1,515,078	1,424,203	1,269,686	1,345,490	1,439,807
Business-type Activities:										
Transfers	(120,602)	(113,558)	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)
Total Business-type Activities	(120,602)	(113,558)	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)
Total Primary Government	\$ 1,686,936	\$ 1,606,902	\$ 1,719,818	\$ 1,594,989	\$ 1,416,685	\$ 1,407,328	\$ 1,305,532	\$ 1,149,684	\$ 1,223,239	\$ 1,319,542
Change in Net Position										
Governmental Activities	\$ 52,675	\$ 123,497	\$ 304,511	\$ 242,962	\$ 212,232	\$ 261,343	\$ 243,932	\$ (72,203)	\$ 31,059	\$ 168,083
Business-type Activities	39,154	38,457	43,328	26,054	19,470	52,413	44,826	(1,813)	27,981	26,632
Total Primary Government	\$ 91,829	\$ 161,954	\$ 347,839	\$ 269,016	\$ 231,702	\$ 313,756	\$ 288,758	\$ (74,016)	\$ 59,040	\$ 194,715

Source: South Dakota Comprehensive Annual Financial Reports (FY 2007-2016). Previous years' amounts are not restated.

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

(Modified Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund (Per GASB 54):										
Non-Spendable	\$ 4,193	\$ 3,911	\$ 3,629	\$ 3,419	\$ 2,916	\$ 3,148				
Restricted	8,384	10,479	8,264	1,018						
Committed										
Assigned	54,516	120,180	149,021	126,872	140,706	148,137				
Unassigned	242,449	183,570	159,403	186,444	147,445	136,018				
Total General Fund	\$ 309,542	\$ 318,140	\$ 320,317	\$ 317,753	\$ 291,067	\$ 287,303				
Other Governmental Funds (Per GASB 54):										
Non-Spendable	\$ 512,525	\$ 501,093	\$ 493,227	\$ 717,108	\$ 706,054	\$ 683,786				
Restricted	893,833	949,713	918,910	551,014	460,450	493,638				
Committed	43,652	51,119	46,766	43,993	38,930	36,844				
Assigned	27,022	27,633	34,339	49,758	43,815	34,684				
Unassigned	(5,048)	(3,624)	(5,040)	(1,462)	(2,931)	(18,859)				
Total Other Governmental Funds	\$ 1,471,984	\$ 1,525,934	\$ 1,488,202	\$ 1,360,411	\$ 1,246,318	\$ 1,230,093				
General Fund (Prior to GASB 54):										
Reserved							\$ 21,104	\$ 21,215	\$ 31,139	\$ 32,581
Unreserved							133,962	131,363	138,883	142,809
Total General Fund							\$ 155,066	\$ 152,578	\$ 170,022	\$ 175,390
Other Governmental Funds (Prior to GASB 54):										
Reserved							\$ 873,931	\$ 872,653	\$ 886,761	\$ 848,892
Unreserved, Reported in:										
Special Revenue Funds							332,270	232,200	342,384	446,152
Capital Projects Funds							148	2,484	2,460	7,084
Total Other Governmental Funds							\$ 1,206,349	\$ 1,107,337	\$ 1,231,605	\$ 1,302,128

Note: The State of South Dakota implemented GASB Statement 54 in Fiscal Year 2011, which significantly changed the fund balance classifications. Fiscal Year 2016 fund balance classifications are not comparable to classifications to years prior to 2011.

Source: South Dakota Comprehensive Annual Financial Reports (FY 2007-2016).

State of South Dakota
Changes in Fund Balances, All Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes										
Sales & Use	\$ 905,203	\$ 876,138	\$ 857,559	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133
Insurance Company	83,291	80,133	73,876	70,740	66,679	61,799	62,499	61,669	60,930	55,900
Liquor	17,580	16,356	15,988	15,835	14,519	14,953	14,247	14,782	13,044	13,138
Cigarette	52,081	52,776	51,616	51,940	50,704	46,700	62,918	56,607	57,160	43,998
Bank Franchise	25,412	20,669	23,943	49,493	32,941	16,954	16,674	55,260	62,036	76,497
Contractor's Excise	104,938	102,246	93,746	94,967	90,636	66,518	85,973	71,533	79,137	81,069
Severance	8,260	7,508	9,286	9,141	15,153	9,748	9,229	7,972	6,847	5,160
Other Tobacco	8,882	7,995	8,131	6,562	6,495	6,075	4,912	6,273	5,368	2,230
Motor Fuel & Vehicle	293,045	240,382	215,203	212,521	206,259	192,198	184,953	179,125	187,654	176,788
Other	81,993	78,434	73,688	72,018	68,807	65,482	62,584	59,190	59,005	61,088
Licenses, Permits & Fees	302,156	281,742	267,628	252,420	225,803	202,449	197,006	180,337	175,989	166,133
Fines, Forfeits & Penalties	12,647	14,516	10,781	16,189	13,490	12,142	11,306	11,327	11,141	8,637
Use of Money & Property	27,578	59,865	157,633	153,479	42,881	162,577	123,020	(77,407)	(2,123)	160,057
Sales & Services	39,797	42,531	39,712	37,679	34,290	32,499	32,659	35,114	33,885	31,764
Admin. Programs	1,464,030	1,503,362	1,567,027	1,573,326	1,657,602	1,820,205	1,745,559	1,434,664	1,222,191	1,232,755
Tobacco Settlement	24,582	23,421	26,561	24,128	24,135	23,673	25,175	29,986	27,616	21,369
Other Revenue	87,874	77,614	129,147	65,272	42,676	40,008	33,437	27,858	26,215	27,864
Total Revenues	3,539,349	3,485,688	3,621,525	3,508,410	3,372,072	3,515,435	3,335,297	2,829,942	2,694,218	2,789,580
Expenditures										
General Government	99,874	87,785	87,409	74,394	73,714	70,493	71,532	76,533	76,431	79,349
Education	859,072	804,348	835,894	782,276	778,707	832,936	816,454	787,670	743,024	690,874
Health, Human & Social Services	1,428,259	1,435,850	1,387,821	1,364,933	1,351,100	1,350,402	1,364,846	1,222,021	1,124,311	1,038,035
Law, Justice, Public Protection & Regulation	268,818	281,688	320,080	280,691	303,237	311,583	263,499	240,601	231,559	224,404
Agriculture & Natural Resources	155,006	143,466	148,596	139,861	138,598	155,064	132,683	125,640	123,257	123,367
Economic Resources	56,202	74,182	40,062	43,108	40,553	50,986	52,872	44,940	46,893	39,124
Transportation	655,752	554,536	582,939	604,048	625,661	576,777	495,796	448,159	400,200	492,073
State Shared Revenue	173,721	169,514	161,564	141,514	122,320	100,493	103,425	99,064	103,633	101,669
Capital Outlay	1,017	2,038	2,541	387	4,773	4,381	2,336	2,172	4,622	8,982
Debt Service:										
Principal	16,415	17,272	20,973	30,059	25,622	22,225	22,958	26,951	24,582	21,419
Interest	9,177	9,261	10,206	13,896	16,219	17,504	18,550	20,174	21,542	21,832
Bond Issuance Costs	6	346	83	1,817						
Payment to Refunded Bond Escrow Agent			16,924	8,016						
Total Expenditures	3,723,319	3,580,286	3,615,092	3,485,000	3,480,504	3,492,844	3,344,951	3,093,925	2,900,054	2,841,128
Excess of Revenues Over (Under) Expenditures	(183,970)	(94,598)	6,433	23,410	(108,432)	22,591	(9,654)	(263,983)	(205,836)	(51,548)
Other Financing Sources (Uses):										
Capital Leases		1,125	20,350	12,605	23,770	19,465				
Insurance Proceeds	85		24		222		809			
Bonds Issued		13,410	4,500			9,505		2,175		5,950
Premiums on Bond Issuance		314				154		44		15
Proceeds of Refunding Bonds		10,408		169,645		801				25,855
Premiums on Refunding Bonds		1,657		9,026		24				1,165
Proceeds from Sale of Capital Assets	2,136	2,099	4,459	5,154	6,096	1,588	4,963	3,296	2,757	2,707
Payments on Advance Refundings		(11,379)		(176,854)		(741)				(26,715)
Transfers In	274,598	271,301	262,172	254,094	270,315	237,968	413,897	383,285	436,670	370,854
Transfers Out	(155,397)	(158,782)	(167,866)	(150,699)	(171,982)	(135,374)	(294,699)	(265,348)	(311,538)	(257,737)
Net Other Financing Sources (Uses)	121,422	130,153	123,639	122,971	128,421	133,390	124,970	123,452	127,889	122,094
Net Change in Fund Balances	\$ (62,548)	\$ 35,555	\$ 130,072	\$ 146,381	\$ 19,989	\$ 155,981	\$ 115,316	\$ (140,531)	\$ (77,947)	\$ 70,546
Debt Service as a Percentage of Noncapital Expenditures	0.73%	0.79%	1.42%	1.63%	1.31%	1.21%	1.32%	1.60%	1.69%	1.64%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2007-2016). Previous years' amounts are not restated.

State of South Dakota
Taxable Sales by Industry
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

	Fiscal Year				
	2016	2015	2014	2013	2012
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 338,993	\$ 297,936	\$ 287,680	\$ 253,605	\$ 241,819
Mining	71,002	105,773	118,587	102,408	112,925
Construction	26,495	27,123	31,241	25,832	23,842
Manufacturing	917,873	873,909	902,791	778,735	788,163
Transportation and Public Utilities	2,767,864	2,765,194	2,769,521	2,556,524	2,422,870
Wholesale Trade	1,618,465	1,617,613	1,514,416	1,403,736	1,460,278
Retail Trade	11,137,027	10,864,164	10,571,228	10,162,245	9,764,051
Finance, Insurance, and Real Estate	432,211	394,780	384,474	367,556	308,237
Services	3,835,074	3,650,026	3,396,424	3,231,543	3,090,080
Public Administration	2,799	2,390	2,029	4,082	1,799
Nonclassifiable Establishments					
Totals	\$ 21,147,803	\$ 20,598,908	\$ 19,978,391	\$ 18,886,266	\$ 18,214,064
Direct Sales Tax Rate	4.50%	4.00%	4.00%	4.00%	4.00%

	Fiscal Year				
	2011	2010	2009	2008	2007
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 224,548	\$ 206,139	\$ 206,927	\$ 199,715	\$ 178,366
Mining	95,566	62,308	106,421	87,996	79,841
Construction	19,479	20,345	38,652	34,042	18,338
Manufacturing	944,070	592,309	642,782	658,846	675,156
Transportation and Public Utilities	2,920,135	2,536,794	2,464,786	2,324,638	2,010,946
Wholesale Trade	1,300,644	1,131,812	1,262,986	1,253,201	1,151,922
Retail Trade	8,930,620	8,588,168	8,654,677	8,572,397	8,080,893
Finance, Insurance, and Real Estate	291,692	307,204	301,474	320,208	318,811
Services	2,980,187	2,773,413	2,784,114	2,721,315	2,561,395
Public Administration	2,082	1,584	1,629	1,456	1,337
Nonclassifiable Establishments		6	8	36	8
Totals	\$ 17,709,023	\$ 16,220,082	\$ 16,464,456	\$ 16,173,850	\$ 15,077,013
Direct Sales Tax Rate	4.00%	4.00%	4.00%	4.00%	4.00%

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

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, representing the largest source of funding for the General Fund.
- (b) Taxable sales: This is the amount of sales and use taxable sales on tangible personal property, services and products delivered electronically which are subject to state tax or reservation tax unless specifically exempted. No Contractors Excise taxes are included.
- (c) Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- (d) Prior to June 1, 2016, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services. Beginning June 1, 2016, all items subject to the state sales tax will be taxed at 4.5% to conform to the HB 1182 passed during 2016 Session. A use tax of the same rate as the sales tax rate was imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid. An excise tax of the same rate as the sales tax rate was imposed on farm machinery and amusement device tax.
- (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 Expressed in Thousands)

	Fiscal Year 2016			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,202	3.77%	\$ 338,993	1.60%
Mining	210	0.25%	71,002	0.34%
Construction	475	0.56%	26,495	0.13%
Manufacturing	4,076	4.80%	917,873	4.34%
Transportation and Public Utilities	2,625	3.09%	2,767,864	13.09%
Wholesale Trade	7,117	8.38%	1,618,465	7.65%
Retail Trade	32,455	38.20%	11,137,027	52.66%
Finance, Insurance, and Real Estate	2,135	2.51%	432,211	2.04%
Services	32,618	38.39%	3,835,074	18.14%
Public Administration	55	0.07%	2,799	0.01%
Nonclassifiable Establishments		0.00%		0.00%
Total	84,968	100.00%	\$ 21,147,803	100.00%

	Fiscal Year 2013			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,424	4.13%	\$ 253,605	1.34%
Mining	233	0.28%	102,408	0.54%
Construction	463	0.56%	25,832	0.14%
Manufacturing	3,608	4.35%	778,735	4.12%
Transportation and Public Utilities	2,941	3.55%	2,556,524	13.54%
Wholesale Trade	7,226	8.72%	1,403,736	7.43%
Retail Trade	30,452	36.74%	10,162,245	53.81%
Finance, Insurance, and Real Estate	2,133	2.57%	367,556	1.95%
Services	32,354	39.03%	3,231,543	17.11%
Public Administration	60	0.07%	4,082	0.02%
Nonclassifiable Establishments		0.00%		0.00%
Total	82,894	100.00%	\$ 18,886,266	100.00%

	Fiscal Year 2010			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,975	3.97%	\$ 206,139	1.27%
Mining	218	0.29%	62,308	0.38%
Construction	462	0.62%	20,345	0.13%
Manufacturing	3,084	4.11%	592,309	3.65%
Transportation and Public Utilities	3,093	4.13%	2,536,794	15.64%
Wholesale Trade	6,237	8.32%	1,131,812	6.98%
Retail Trade	28,214	37.63%	8,588,168	52.95%
Finance, Insurance, and Real Estate	2,058	2.75%	307,204	1.89%
Services	28,589	38.13%	2,773,413	17.10%
Public Administration	44	0.06%	1,584	0.01%
Nonclassifiable Establishments	1	0.00%	6	0.00%
Total	74,975	100.00%	\$ 16,220,082	100.00%

	Fiscal Year 2007			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,665	3.87%	\$ 178,366	1.18%
Mining	170	0.25%	79,841	0.53%
Construction	461	0.67%	18,338	0.12%
Manufacturing	2,778	4.04%	675,156	4.48%
Transportation and Public Utilities	3,077	4.47%	2,010,946	13.34%
Wholesale Trade	5,444	7.91%	1,151,922	7.64%
Retail Trade	25,655	37.27%	8,080,893	53.60%
Finance, Insurance, and Real Estate	1,846	2.68%	318,811	2.12%
Services	26,711	38.80%	2,561,395	16.99%
Public Administration	35	0.05%	1,337	0.01%
Nonclassifiable Establishments	1	0.00%	8	0.00%
Total	68,843	100.00%	\$ 15,077,013	100.00%

Fiscal Year 2015			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,162	3.76%	\$ 297,936	1.45%
231	0.28%	105,773	0.51%
527	0.63%	27,123	0.13%
3,939	4.69%	873,909	4.24%
2,697	3.21%	2,765,194	13.42%
6,940	8.26%	1,617,613	7.85%
31,642	37.65%	10,864,164	52.74%
2,136	2.54%	394,780	1.92%
32,706	38.92%	3,650,026	17.72%
56	0.07%	2,390	0.01%
	0.00%		0.00%
84,036	100.00%	\$ 20,598,908	100.00%

Fiscal Year 2014			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,411	4.04%	\$ 287,680	1.44%
237	0.28%	118,587	0.59%
525	0.62%	31,241	0.16%
3,820	4.53%	902,791	4.52%
2,728	3.23%	2,769,521	13.86%
6,908	8.19%	1,514,416	7.58%
31,494	37.33%	10,571,228	52.91%
2,172	2.58%	384,474	1.92%
33,007	39.13%	3,396,424	17.00%
56	0.07%	2,029	0.01%
	0.00%		0.00%
84,358	100.00%	\$ 19,978,391	100.00%

Fiscal Year 2012			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,274	4.05%	\$ 241,819	1.33%
218	0.27%	112,925	0.62%
469	0.58%	23,842	0.13%
3,399	4.20%	788,163	4.33%
3,034	3.75%	2,422,870	13.30%
7,186	8.88%	1,460,278	8.02%
29,963	37.02%	9,764,051	53.61%
2,116	2.62%	308,237	1.69%
31,216	38.57%	3,090,080	16.97%
56	0.07%	1,799	0.01%
	0.00%		0.00%
80,931	100.00%	\$ 18,214,064	100.00%

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 2009			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,933	3.54%	\$ 206,927	1.26%
218	0.26%	106,421	0.65%
547	0.66%	38,652	0.24%
3,397	4.10%	642,782	3.90%
3,817	4.61%	2,464,786	14.97%
7,318	8.83%	1,262,986	7.67%
32,538	39.26%	8,654,677	52.57%
2,196	2.65%	301,474	1.83%
29,880	36.05%	2,784,114	16.91%
38	0.05%	1,629	0.01%
3	0.00%	8	0.00%
82,885	100.00%	\$ 16,464,456	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%

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

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, representing the largest source of funding for the General Fund.
- (b) Taxable sales: This is the amount of sales and use taxable sales of tangible personal property, services and products delivered electronically which are subject to state tax or reservation tax unless specifically exempted. No Contractors Excise taxes are included.
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- (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				
	2016	2015	2014	2013	2012
Governmental Activities:					
Revenue Bonds	\$ 157,847	\$ 174,764	\$ 177,303	\$ 191,295	\$ 227,586
Trust Certificates	280	570	880	13,595	16,490
Capital Leases	116,289	116,352	100,727	78,682	64,279
Total Governmental Activities	274,416	291,686	278,910	283,572	308,355
Business-type Activities:					
Revenue Bonds	247,852	263,818	207,448	212,523	222,705
Capital Leases					
Total Business-type Activities	247,852	263,818	207,448	212,523	222,705
Total Primary Government	\$ 522,268	\$ 555,504	\$ 486,358	\$ 496,095	\$ 531,060
South Dakota Total Personal Income (r)	\$ 41,082,067	\$ 41,104,237	\$ 39,222,985	\$ 37,709,126	\$ 37,583,819
Debt as a Percentage of Personal Income	1.3%	1.4%	1.2%	1.3%	1.4%
South Dakota Population (in thousands)(r)	863	858	853	845	835
Long-Term Debt per Capita	\$ 605.18	\$ 647.44	\$ 570.17	\$ 587.09	\$ 636.00

	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental Activities:					
Revenue Bonds	\$ 250,376	\$ 260,168	\$ 280,501	\$ 302,663	\$ 324,250
Trust Certificates	19,250	21,895	24,435	26,870	29,730
Capital Leases	40,187	25,480	29,632	30,971	30,992
Total Governmental Activities	309,813	307,543	334,568	360,504	384,972
Business-type Activities:					
Revenue Bonds	174,218	126,510	131,097	135,525	99,798
Capital Leases					4
Total Business-type Activities	174,218	126,510	131,097	135,525	99,802
Total Primary Government	\$ 484,031	\$ 434,053	\$ 465,665	\$ 496,029	\$ 484,774
South Dakota Total Personal Income (r)	\$ 36,791,498	\$ 33,520,714	\$ 31,898,690	\$ 33,012,790	\$ 30,658,501
Debt as a Percentage of Personal Income	1.3%	1.3%	1.5%	1.5%	1.6%
South Dakota Population (in thousands)(r)	824	816	807	799	792
Long-Term Debt per Capita	\$ 587.42	\$ 531.93	\$ 577.03	\$ 620.81	\$ 612.09

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2007-2016)
Total Personal Income and Population data: US Bureau of Economic Analysis

- Note:**
- (a) South Dakota Total Personal Income figure for 2016 is preliminary.
 - (b) Detail about the State's debt can be found in Note 14 of the financial statements.
 - (c) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000.
 - (d) 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.
 - (r) Data for Total Personal Income for 2007 - 2015 has been revised.
Data for South Dakota Population has been revised for fiscal years 2007 through 2015

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue Bonds and Trust Certificates										
- Building Authority										
Revenue - lease payments	\$ 8,607	\$ 8,898	\$ 12,654	\$ 13,569	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940	\$ 17,003	\$ 16,778
Less: Operating expenses										
Net available revenue	<u>\$ 8,607</u>	<u>\$ 8,898</u>	<u>\$ 12,654</u>	<u>\$ 13,569</u>	<u>\$ 14,646</u>	<u>\$ 15,052</u>	<u>\$ 15,276</u>	<u>\$ 15,940</u>	<u>\$ 17,003</u>	<u>\$ 16,778</u>
Debt service										
Principal	\$ 2,411	\$ 4,047	\$ 6,978	\$ 10,713	\$ 11,243	\$ 11,240	\$ 11,218	\$ 11,196	\$ 11,791	\$ 11,479
Interest	6,693	4,377	5,478	2,559	3,355	3,731	3,989	4,558	5,071	4,003
Total	<u>\$ 9,104</u>	<u>\$ 8,424</u>	<u>\$ 12,456</u>	<u>\$ 13,272</u>	<u>\$ 14,598</u>	<u>\$ 14,971</u>	<u>\$ 15,207</u>	<u>\$ 15,754</u>	<u>\$ 16,862</u>	<u>\$ 15,482</u>
Coverage	0.95	1.06	1.02	1.02	1.00	1.01	1.00	1.01	1.01	1.08
Revenue Bonds										
-Educational Enhancement Funding Corp.										
Revenue -										
Tobacco settlement	\$ 25,156	\$ 23,306	\$ 26,326	\$ 23,914	\$ 24,359	\$ 22,908	\$ 22,751	\$ 31,161	\$ 27,679	\$ 25,071
Investment Earnings	68	13	7	1,079	1,202	1,098	1,126	1,204	1,437	1,401
Less: Operating expenses			-	165	152	152	149	161	149	158
Net available revenue	<u>\$ 25,224</u>	<u>\$ 23,319</u>	<u>\$ 26,333</u>	<u>\$ 24,828</u>	<u>\$ 25,409</u>	<u>\$ 23,854</u>	<u>\$ 23,728</u>	<u>\$ 32,204</u>	<u>\$ 28,967</u>	<u>\$ 26,314</u>
Debt service										
Principal	12,535	13,225	13,995	18,800						
Interest	4,215	4,376	4,498	10,828	12,975	13,799	14,583	15,615	16,480	16,841
Total	<u>\$ 16,750</u>	<u>\$ 17,601</u>	<u>\$ 18,493</u>	<u>\$ 29,628</u>	<u>\$ 12,975</u>	<u>\$ 13,799</u>	<u>\$ 14,583</u>	<u>\$ 15,615</u>	<u>\$ 16,480</u>	<u>\$ 16,841</u>
Coverage	1.51	1.32	1.42	0.84	1.96	1.73	1.63	2.06	1.76	1.56
Revenue Bonds										
-Clean Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 28,998	\$ 26,637	\$ 25,502	\$ 24,394	\$ 29,078	\$ 43,202	\$ 16,789	\$ 16,089	\$ 14,689	\$ 10,780
Investment Income	4,192	3,900	3,988	3,402	3,494	3,259	2,722	2,600	2,258	3,104
Other Income	1,410	1,442	1,332	1,238	1,243	1,320	1,301	1,242	1,212	1,122
Less: Operating expenses	982	1,294	1,080	2,476	1,304	982	948	779	1,710	1,448
Net available revenue	<u>\$ 33,618</u>	<u>\$ 30,685</u>	<u>\$ 29,742</u>	<u>\$ 26,558</u>	<u>\$ 32,511</u>	<u>\$ 46,799</u>	<u>\$ 19,864</u>	<u>\$ 19,152</u>	<u>\$ 16,449</u>	<u>\$ 13,558</u>
Debt service										
Principal	\$ 9,290	\$ 7,580	\$ 7,415	\$ 6,110	\$ 4,320	\$ 3,665	\$ 2,820	\$ 2,730	\$ 2,635	\$ 1,210
Interest	7,088	6,663	5,361	5,578	4,063	3,188	2,872	2,562	2,477	2,376
Total	<u>\$ 16,378</u>	<u>\$ 14,243</u>	<u>\$ 12,776</u>	<u>\$ 11,688</u>	<u>\$ 8,383</u>	<u>\$ 6,853</u>	<u>\$ 5,692</u>	<u>\$ 5,292</u>	<u>\$ 5,112</u>	<u>\$ 3,586</u>
Coverage	2.05	2.15	2.33	2.27	3.88	6.83	3.49	3.62	3.22	3.78
Revenue Bonds										
-Drinking Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 23,042	\$ 25,234	\$ 19,597	\$ 19,956	\$ 34,599	\$ 31,338	\$ 13,987	\$ 12,824	\$ 10,599	\$ 9,230
Investment Income	3,104	2,639	3,148	2,558	2,351	1,987	1,681	1,780	1,641	1,828
Other Income	899	885	909	929	1,064	1,034	886	897	868	835
Less: Operating expenses	105	123	142	146	137	164	213	57	70	50
Net available revenue	<u>\$ 26,940</u>	<u>\$ 28,635</u>	<u>\$ 23,512</u>	<u>\$ 23,297</u>	<u>\$ 37,877</u>	<u>\$ 34,195</u>	<u>\$ 16,341</u>	<u>\$ 15,444</u>	<u>\$ 13,038</u>	<u>\$ 11,843</u>
Debt service										
Principal	\$ 5,535	\$ 4,475	\$ 4,380	\$ 4,050	\$ 2,845	\$ 2,495	\$ 1,815	\$ 1,745	\$ 1,685	\$ 1,360
Interest	2,255	2,276	2,155	2,284	2,676	2,517	2,281	2,223	2,142	2,074
Total	<u>\$ 7,790</u>	<u>\$ 6,751</u>	<u>\$ 6,535</u>	<u>\$ 6,334</u>	<u>\$ 5,521</u>	<u>\$ 5,012</u>	<u>\$ 4,096</u>	<u>\$ 3,968</u>	<u>\$ 3,827</u>	<u>\$ 3,434</u>
Coverage	3.46	4.24	3.60	3.68	6.86	6.82	3.99	3.89	3.41	3.45

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

- Note:**
- (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.
 - (b) For the Educational Enhancement Funding Corporation, all turbo redemptions are excluded from this calculation.
 - (c) All funds are presented on an accrual basis except for the Building Authority Fund which is presented on a cash basis.

POPULATION **(Expressed in Thousands)**

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2015	321,419	0.8%	21,120	0.5%	858	0.6%
2014r	318,907	0.8%	21,009	0.6%	853	0.9%
2013r	316,427	0.7%	20,889	0.6%	845	1.2%
2012r	314,103	0.8%	20,762	0.6%	835	1.3%
2011r	311,719	0.8%	20,646	0.5%	824	1.0%
2010r	309,347	0.8%	20,537	0.7%	816	1.1%
2009r	306,772	0.9%	20,393	0.7%	807	1.0%
2008r	304,094	1.0%	20,249	0.7%	799	0.9%
2007r	301,231	1.0%	20,106	0.7%	792	1.1%
2006r	298,380	1.0%	19,957	0.8%	783	0.4%

Note: Midyear (July 1) population estimates. Revised estimates for 2006 through 2014. With each new release of July 1 population estimates, the Census Bureau Revises estimates for years back to the last census.

r = Revised Estimates

* The West North Central 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 2016

TOTAL PERSONAL INCOME **(Dollars Expressed in Millions)**

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2015	\$ 15,463,981	4.5%	\$ 992,814	3.1%	\$ 41,104	4.8%
2014r	14,801,624	5.2%	963,230	3.9%	39,223	4.0%
2013r	14,068,960	1.2%	926,814	1.1%	37,709	0.3%
2012r	13,904,485	5.1%	916,941	5.7%	37,584	2.2%
2011r	13,233,436	6.2%	867,752	7.3%	36,791	9.8%
2010r	12,459,613	3.1%	808,919	2.9%	33,521	5.1%
2009r	12,079,444	-3.3%	786,346	-3.1%	31,899	-3.4%
2008r	12,492,705	4.1%	811,474	6.5%	33,013	7.7%
2007r	11,995,419	5.4%	761,922	6.5%	30,659	11.2%
2006r	11,381,350	7.3%	715,168	5.3%	27,565	6.3%

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

r = Revised Estimates

* 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 2016

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
2015	3.1%	5.3%
2014	3.4%	6.2%
2013	3.8%	7.4%
2012	4.3%	8.1%
2011	4.7%	8.9%
2010	5.0%	9.6%
2009	4.9%	9.3%
2008	3.1%	5.8%
2007	2.8%	4.6%
2006	3.1%	4.6%

Source: SD Dept. Of Labor and Regulation, Labor Market Information

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2015	\$ 48,112	3.7%	\$ 47,007	2.5%	\$ 47,881	4.2%
2014r	46,414	4.4%	45,848	3.3%	45,966	3.0%
2013r	44,462	0.4%	44,368	0.5%	44,612	-0.9%
2012r	44,267	4.3%	44,165	5.1%	45,030	0.9%
2011r	42,453	5.4%	42,030	6.7%	44,634	8.7%
2010r	40,277	2.3%	39,388	2.1%	41,064	3.9%
2009r	39,376	-4.2%	38,560	-3.8%	39,524	-4.3%
2008r	41,082	3.2%	40,075	5.7%	41,311	6.7%
2007r	39,821	4.4%	37,896	5.8%	38,729	10.0%
2006r	38,144	6.2%	35,835	4.5%	35,203	5.3%

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, Bureau of Economic Analysis, Last Updated September 2016

**State of South Dakota
Top Ten Employers
2016 as Compared to 2007**

2016 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	Avera Medical (System-Wide)	17,042	4.1%
2	Federal Government	11,108	2.7%
3	Sanford Medical (System-Wide)	10,663	2.6%
4	South Dakota State Government	9,837	2.4%
5	Sioux Falls MSA Local Government**	9,151	2.2%
6	Rapid City MSA Local Government**	6,157	1.5%
7	Walmart Associates	5,664	1.4%
8	Rapid City Regional Hospital Inc (System Wide)	5,150	1.2%
9	Hy Vee Food Store	5,039	1.2%
10	SD Board of Regents	4,952	1.2%
Total Top Ten Employers		84,763	20.3%
Total SD Employment 2016		417,038	

** Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha, and Turner.

** Rapid City MSA includes the following counties: Pennington and Meade.

*** SD Employment last 3 quarters of 2015 and first quarter of 2016

Sources: Compiled by the Governor's Office of Economic Development December 2016.
List of Companies: SD Dept. of Labor, Labor Market Information Center (LMIC)
Employment Numbers: Private Companies (HR Departments & Corporate websites),
LMIC for government employers, Board of Regents

2007 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	Federal Government (Statewide)	11,079	2.8%
2	South Dakota State Government	9,563	2.4%
3	Avera System-Wide (SD)	9,088	2.3%
4	Sioux Falls MSA Local Government**	7,998	2.0%
5	Sanford System-Wide (SD)	6,500	1.7%
6	Rapid City MSA Local Government**	5,725	1.5%
7	Wal-Mart (SD)	4,936	1.3%
8	Wells Fargo (SD)	4,526	1.2%
9	SD Board of Regents	4,455	1.1%
10	Rapid City Regional Health System-Wide (SD)	4,200	1.1%
10	Sanford USD Medical Center (Hospital - Sioux Falls)	4,200	1.1%
Total SD Employment 2007		72,270	18.4%
Total SD Employment 2007		392,061	

** 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: Development Corporations and Individual companies. Governmental information from Labor Market Information Center (LMIC), Board of Regents
Compiled by SD State Data Center, USD Business Research Bureau

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 INDUSTRY¹
(Dollars Expressed in Thousands)

	2016p	2015r	2014r	2013	2012	2011	2010	2009	2008	2007
Natural Resources/Mining/Construction*	24.1	23.1	22.2	21.4	21.1	21.1	21.0	21.8	23.3	23.2
Manufacturing	41.7	42.5	42.3	41.5	41.2	39.2	36.9	37.7	42.7	42.1
Trade/Transportation/Utilities	90.1	87.6	85.8	83.7	83.0	81.7	80.6	80.7	82.2	81.2
Wholesale Trade	21.6	21.2	20.8	19.9	19.5	19.0	18.6	18.3	18.7	18.4
Retail Trade	54.7	52.9	51.9	51.2	51.0	50.2	49.5	49.6	50.2	50.0
Trans/Warehsing/Util	13.8	13.5	13.1	12.6	12.5	12.5	12.5	12.8	13.2	12.9
Information	6.0	5.9	6.0	6.0	6.2	6.4	6.5	6.7	6.9	7.1
Financial Activities	30.2	29.6	29.7	29.7	28.6	28.1	28.9	30.4	31.0	30.9
Professional/Business Svcs.	31.3	30.6	30.3	29.5	29.2	28.7	27.5	26.9	28.0	27.6
Educational/Health Services	70.1	69.1	68.3	68.0	67.1	65.3	64.5	63.2	62.0	60.0
Leisure and Hospitality	47.6	46.0	45.4	44.7	44.3	43.4	43.0	42.9	43.2	43.1
Other Services (Except Public Administration)	15.5	15.9	15.8	15.9	15.8	15.6	15.6	15.7	15.9	15.8
Government	78.0	77.8	77.9	77.3	77.5	78.0	78.7	77.8	76.2	75.5
TOTAL	434.6	428.1	423.7	417.7	414.0	407.5	403.2	403.7	411.4	406.5
% Change in Nonfarm Employment	1.5%	1.0%	1.4%	0.9%	1.6%	1.1%	-0.1%	-1.9%	1.2%	2.0%

Note: Numbers may not add due to rounding. Data not seasonally adjusted.

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
2015	327	\$406.4	2	\$3.4	329	\$409.8
2014	352	\$459.4	8	\$16.3	360	\$475.7
2013	283	\$278.6	8	\$204.7	291	\$483.3
2012	406	\$403.3	3	\$0.0	409	\$403.3
2011	367	\$276.5	4	\$0.9	371	\$277.4
2010	323	\$111.2	12	\$0.3	335	\$111.5
2009	398	\$215.5	9	\$0.0	408	\$215.5
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

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
Last Ten Fiscal Years**

	Fiscal Year			
	2016	2015	2014	2013
General Government				
Vehicles	2,987	2,904	2,929	2,862
Land (Acres)	760,806	760,806	760,806	760,804
Equipment	1,427	1,406	1,367	1,388
Buildings	23	22	19	15
Infrastructure	0	0	0	0
Health, Human, and Social Services				
Vehicles	7	7	7	8
Land (Acres)	763	799	799	777
Equipment	667	651	604	610
Buildings	89	92	93	48
Infrastructure	0	0	0	0
Law, Justice, Public Protection, and Regulation				
Vehicles	332	317	320	339
Land (Acres)	1,504	1,510	1,510	1,484
Equipment	1,090	1,047	940	932
Buildings	156	159	156	71
Infrastructure	0	0	0	0
Agriculture and Natural Resources				
Vehicles	389	392	373	373
Land (Acres)	361,821	360,938	360,323	360,137
Equipment	1,617	1,576	1,509	1,490
Buildings	76	73	65	55
Infrastructure	0	0	0	0
Transportation				
Vehicles	1,287	1,279	1,250	1,183
Land (Acres)	3,213	3,217	3,206	3,294
Land, ROW Roads	\$ 95,308,778	\$ 93,472,606	\$ 92,796,015	\$ 92,689,993
Land Improvements, Roads	\$ 523,392,571	\$ 520,147,538	\$ 514,620,856	\$ 512,129,195
Equipment	3,806	3,661	3,415	3,211
Buildings	193	183	175	115
Infrastructure				
-Roads: Lane Miles	8,861	8,862	8,850	8,850
-Bridges: Number of	1,795	1,799	1,796	1,798
-Railroads: Track Miles	530	530	530	530
Education				
Vehicles	0	0	0	0
Land (Acres)	284	184	77	77
Equipment	78	25	24	17
Buildings	27	27	27	26
Infrastructure	0	0	0	0
Economic Resources				
Vehicles	0	0	0	1
Land (Acres)	0	0	0	0
Equipment	3	47	49	45
Buildings	0	1	1	0
Infrastructure	0	0	0	0

Source: Survey conducted by BFM of the department's finance personnel and the Fixed Asset System.

Fiscal Year

2012	2011	2010	2009	2008	2007
2,852	2,949	2,743	2,683	2,879	2,711
760,828	760,828	760,828	760,828	760,832	760,832
1,406	1,296	1,275	1,291	1,416	1,477
17	17	16	15	13	13
0	0	0	0	0	0
8	8	7	7	12	6
710	710	710	906	901	901
590	554	539	479	510	566
47	47	46	46	46	46
0	0	0	0	0	0
324	320	312	281	314	313
1,387	2,066	2,067	2,313	2,313	2,313
826	762	682	596	607	627
74	74	76	68	67	70
0	0	0	0	0	0
377	365	340	309	326	326
360,039	360,039	352,128	350,245	348,552	297,796
1,457	1,357	1,292	1,208	1,173	1,123
52	52	53	48	48	35
0	0	0	0	0	0
1,206	1,268	1,241	1,149	1,607	1,259
3,498	3,618	3,747	3,891	3,875	3,883
\$ 89,954,671	\$ 86,389,686	\$ 84,159,719	\$ 76,597,880	\$ 73,884,865	\$ 69,080,371
\$ 512,129,195	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674	\$ 512,498,327
3,081	3,043	2,828	2,603	2,511	2,402
109	104	102	98	96	96
8,858	8,858	8,858	8,862	8,862	8,864
1,799	1,805	1,803	1,809	1,805	1,800
513	513	513	513	513	513
0	0	0	0	0	0
77	45	45	33	33	33
11	15	24	30	32	47
22	22	22	22	22	22
0	0	0	0	0	0
2	2	2	1	1	3
0	0	0	0	0	0
42	48	49	36	37	39
0	0	0	0	0	0
0	0	0	0	0	0

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

General Government	Fiscal Year		
	2016	2015	2014
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)	3,271	3,760	3,735
Radio Calls through Digital Network	29,858,306	27,888,987	26,319,746
Bureau of Human Resources			
Health: Employees, COBRA, Retirees/Dependents	13,242 / 13,418	13,328 / 13,360	13,413 / 13,426
Bureau of Administration			
Pieces of Mail Handled/Year	7,536,209	7,720,306	7,719,049
Total Miles Driven	38,344,195	38,848,323	38,241,658
Revenue			
Total Active Business Licenses	82,640	80,779	80,236
Vehicles Registered	1,519,080	1,425,379	1,258,147
Misc. Special Tax Licenses	6,612	5,228	5,372
Lottery			
Licensed Lottery Retailers--Instant Only	13	12	12
Licensed Lottery Retailers--On-line	610	608	600
Legislature			
Auditor General			
Audits Performed	54	46	56
Audits Reviewed (IPA reports)	333	326	322
School and Public Lands			
Apportion Common School Interest Fund and Income to School Districts (Thousands)	\$ 10,227	\$ 9,969	\$ 8,774
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions (Thousands)	\$ 2,267	\$ 2,104	\$ 1,500
Secretary of State			
Business and Secured Transaction Filings	121,302	120,807	151,658
State Treasurer			
Cash Receipts (Thousands)	\$ 4,955,107	\$ 4,917,575	\$ 4,883,829
Unclaimed Property - Claims Paid	5,127	4,500	10,024
State Auditor			
Vouchers Audited	288,653	290,861	297,649
Warrants Written	270,702	298,293	306,344
Health, Human, and Social Services			
Social Services			
Medicaid Enrolled/Month	118,674	117,346	115,328
Long Term Care Services - Clients Served	3,867	3,977	4,051
Health			
Public Health Investigations	13,224	13,750	13,875
Labor			
State Labor Force	453,175	450,900	450,660
Unemployment Rate	2.80%	3.50%	3.70%
South Dakota Retirement System			
Budget Compared to Assets	0.040%	0.040%	0.040%
Budget Compared to Benefits	0.860%	0.870%	0.890%
Veterans Benefits and Services			
South Dakota Veteran Population	72,000	75,000	75,000
State Veterans' Home			
Average Daily Census	96	121	113
Human Services			
People with Developmental Disabilities Served	3,103	3,104	3,078
People with Mental Illness Served	17,194	16,653	16,142
People with Substance Abuse Issues Served	12,297	11,525	11,579
People Receiving Vocational Rehabilitation Services	5,484	5,299	5,798

Fiscal Year						
2013	2012	2011	2010	2009	2008	2007
Annual Annual						
N/A	N/A	N/A	N/A	N/A	N/A	10,347
3,656	2,056	2,456	1,528	1,480	736	740
26,968,003	26,052,239	24,122,503	22,188,596	21,468,474	21,885,767	22,584,630
13,296 / 13,305	13,234 / 13,008	13,372 / 12,488	13,427 / 11,876	13,316 / 11,568	13,171 / 11,696	13,133 / 11,846
8,047,767	8,631,113	8,991,825	9,274,640	9,687,084	9,909,143	11,638,363
38,739,712	38,755,956	37,663,512	37,506,764	37,136,509	38,788,928	38,180,716
81,047	80,130	78,399	78,919	76,367	73,456	72,315
1,402,128	1,081,516	1,156,109	1,137,621	1,113,254	1,168,616	1,129,972
5,430	5,333	5,332	5,346	5,298	5,580	5,672
12	12	13	14	129	620	615
597	591	584	579	480	476	447
49	73	59	58	59	56	81
338	327	356	349	286	285	322
\$ 7,422	\$ 7,433	\$ 8,274	\$ 8,672	\$ 10,997	\$ 8,771	\$ 8,453
\$ 1,991	\$ 1,957	\$ 1,629	\$ 1,905	\$ 1,990	\$ 1,967	\$ 2,026
100,492	92,608	90,291	91,288	97,572	100,959	101,215
\$ 4,621,725	\$ 4,667,076	\$ 4,435,684	\$ 4,196,085	\$ 3,812,475	\$ 3,843,830	\$ 3,705,226
3,973	2,992	4,619	7,390	6,113	6,505	5,084
289,083	291,219	293,522	288,997	283,596	287,358	287,076
318,863	400,307	433,121	451,581	473,409	507,447	595,412
116,128	115,731	114,405	111,005	104,520	102,310	100,393
4,053	4,138	4,276	4,346	4,347	4,359	4,419
12,618	10,386	10,379	15,292	12,365	13,014	12,922
446,990	444,805	444,980	442,940	447,275	443,765	440,030
4.30%	4.50%	4.90%	5.00%	4.10%	2.80%	3.00%
0.040%	0.042%	0.053%	0.057%	0.063%	0.045%	0.044%
0.870%	0.900%	1.120%	1.140%	1.180%	1.110%	1.220%
75,000	72,000	72,000	72,400	73,500	74,273	73,325
118	130	129	132	129	124	119
3,032	2,970	2,899	2,837	2,814	2,776	2,762
16,110	15,572	14,915	13,998	13,261	12,901	12,246
12,305	14,307	14,893	15,131	15,338	15,146	15,069
6,166	6,477	6,224	5,710	5,606	5,714	6,508

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

	Fiscal Year		
	2016	2015	2014
Law, Justice, Public Protection, and Regulation			
Corrections			
Adult System ADP (Average Daily Population)	3,613	3,610	3,645
Avg. Daily Population on Supervision	2,345	2,315	2,297
Juvenile Institutional and Placement ADP	482	650	649
Unified Judicial System			
Felony Offenses Filings/Pending	10,800 / N/A	10,392 / N/A	9413 / N/A
Class One Misdemeanor Filings/Pending	22,055 / N/A	20,979 / N/A	20,518 / N/A
Class Two Misdemeanor Filings/Pending	114,445 / N/A	112,323 / N/A	105,213 / N/A
Attorney General			
New Cases Opened/Closed/Pending (Thousands)	2.1 / 1.8 / 2.1	1.9 / 2.0 / 1.9	2.2 / 2.9 / 1.5
Investigations Conducted by DCI	1,063	1,062	1,077
Public Safety			
Patrol of Public Highways (Percentage)	59%	54%	60%
Patrol of Public Highways (Hours)	N/A	N/A	N/A
Driver Licenses Issued	203,012	198,279	156,731
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,130	3,165	3,204
Assigned Strength of the Air Guard	1,040	1,050	1,044
Appraiser Program			
New / Renewed Licenses	36 / 410	11 / 380	10 / 368
Revenue Financial Services			
Banking Institutions Examined	N/A	N/A	542
Dealer, Broker & Investment Advisor			
Agents Licensed	96,262	91,545	86,131
Renewed & Issued Insurance			
Appointments/Licenses	295,526	282,241	269,568
Revenue Boards and Commissions			
New & Renewed Licenses Issued	7,161	6,708	7,102
Public Utilities Commission			
Dockets Opened	154	193	240
Agriculture and Natural Resources			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	614 / 17,359	642 / 53,145	451 / 11,421
Dairy Inspections	604	500	520
Marketing Consultations	N/A	N/A	N/A
Insect & Disease Individual Assists	305	279	288
Game, Fish and Parks			
Total Park Visitations	7,509,840	7,605,595	8,115,000
Acres of Walk-In Areas	1,392,000	1,389,734	1,270,000
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (Added Water Quality Grants in FY05 & FY06)	77.5 M / 106	118.3 M / 113	78.9M / 95
Total Number of Regulated Facilities	29,186	28,359	28,740
Petroleum Release Compensation			
Petroleum Release Cases Initiated	55	60	45
Abandoned Tank Site Cases Initiated	57	62	100
Transportation			
Transportation			
Percent of Non-interstate State Highway System Main Lane Pavement Mileage Rated Good or Better on Condition Index			
	82	90	89
Percent of Interstate Pavement in Excellent Condition Based on Condition Index			
	45	53	46
Education			
Student K-12 Public School Fall Enrollment	130,936	129,772	128,924
Economic Resources			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 400.0	\$ 475.0	\$ 300.0
New Jobs Created (Calendar Year)	3,000	3,300	4,000
Tourism's Impact on South Dakota Economy (Billions)	\$ 2.36	\$ 1.99	\$ 1.98

Source: State's Budget System and/or survey of department finance personnel.
N/A= Not Applicable

		Fiscal Year						
		2013	2012	2011	2010	2009	2008	2007
		3,637	3,565	3,479	3,490	3,428	3,373	3,412
		2,473	2,418	2,452	2,385	2,311	2,379	2,312
		688	526	459	446	497	461	489
		6856 / N/A	7225 / N/A	6,456 / N/A	6,126 / N/A	5,745 / 7,249	5,797 / 7,104	5,660 / 7,388
		22,720 / N/A	21,690 / N/A	19,929 / N/A	20,141 / N/A	21,896 / 23,039	22,611 / 22,924	23,464 / 22,296
		111,461 / N/A	117,594 / N/A	112,853 / N/A	124,965 / N/A	134,617 / 44,143	139,262 / 46,389	139,933 / 43,043
		1.2 / 2.2 / 1.6	.85 / 2.1 / 1.5	1.0 / 1.3 / 2.5	.8 / 1.3 / 2.3	.8 / 1.1 / 2.1	1.1 / .9 / 2.0	1.1 / 1.0 / 1.9
		1,013	1,012	902	867	772	759	534
		45%	46%	45%	N/A	N/A	N/A	N/A
		N/A	N/A	131,508	130,700	130,503	124,763	139,828
		198,733	201,766	198,871	176,153	150,056	195,900	205,260
		3,220	3,266	3,420	3,441	3,391	3,368	3,360
		1,030	1,038	1,057	1,103	1,108	1,012	1,008
		20 / 399	15 / 383	11 / 381	18 / 354	17 / 372	22 / 354	17 / 360
		534	563	562	538	538	553	376
		81,567	79,886	77,038	62,262	61,995	63,004	60,015
		286,078	243,465	270,412	269,361	254,327	223,240	210,739
		7,137	7,517	6,853	8,191	7,425	8,387	7,351
		265	238	143	178	199	227	306
		1,253 / 148,604	1,267 / 123,484	468 / 7,100	398 / 10,335	337 / 5,803	595 / 55,731	904 / 288,616
		713	831	956	1,078	1,444	1,300	1,350
		390	375	375	385	360	396	300
		491	354	307	333	400	500	792
		8,091,937	7,682,751	7,469,331	7,785,508	7,638,828	7,371,201	7,326,503
		1,277,000	1,271,743	1,300,000	1,250,000	1,201,430	1,152,653	1,000,000
		88.8M / 108	96.4M / 129	119.1M / 155	80.6M / 109	100M / 129	99.3M / 113	34.8M / 102
		27,820	27,331	26,679	26,365	26,328	25,677	24,445
		120	95	62	64	70	45	22
		81	45	36	45	53	33	45
		88	93	88	85	84	83	83
		45	53	33	31	45	40	41
		127,169	125,152	123,629	122,055	121,015	121,089	120,278
		\$ 400.0	\$ 282.0	\$ 118.0	\$ 217.0	\$ 401.8	\$ 736.1	\$ 407.5
		3,000	4,248	4,462	3,298	3,952	4,083	3,044
		\$ 1.95	\$ 1.86	\$ 1.76	\$ 2.42	\$ 2.74	\$ 2.42	\$ 2.35

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				
	2016	2015	2014	2013	2012
General Government	1,018	998	983	970	967
Health, Human, and Social Services	2,936	3,007	2,999	3,009	3,004
Law, Justice, Public Protection, and Regulation	2,186	2,215	2,223	2,186	2,142
Agriculture and Natural Resources	939	943	929	941	925
Transportation	976	977	980	978	965
Education	176	178	128	130	132
Economic Resources	156	158	198	197	170
State Total	8,387	8,476	8,440	8,411	8,305

Function of State Government:	Fiscal Year				
	2011	2010	2009	2008	2007
General Government	1,003	1,020	1,019	1,000	993
Health, Human, and Social Services	3,040	3,121	3,064	3,051	3,054
Law, Justice, Public Protection, and Regulation	2,160	2,130	2,119	2,131	2,110
Agriculture and Natural Resources	938	942	918	908	899
Transportation	987	1,004	1,000	1,015	1,012
Education	133	135	130	134	139
Economic Resources	264	257	199	180	168
State Total	8,525	8,609	8,449	8,419	8,375

Source: State's Budget System RB16 - June 30, 2016

Note:

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

