



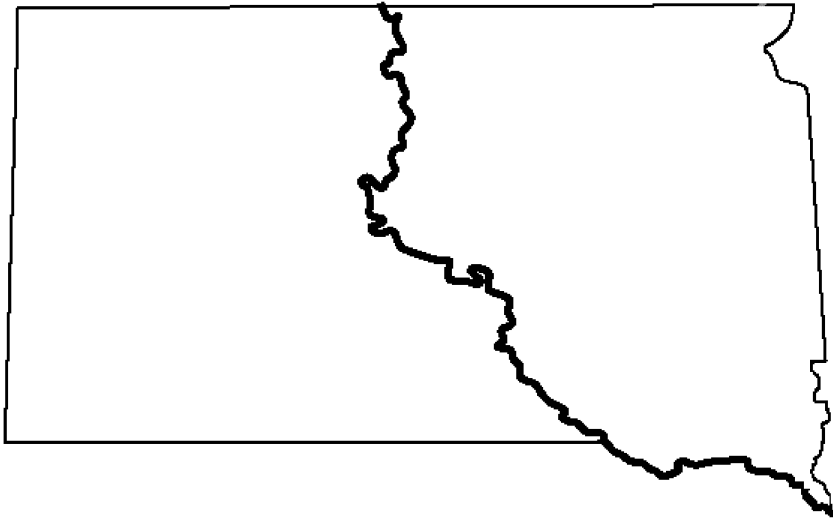
# *South Dakota*

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2010

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



***COMPREHENSIVE ANNUAL FINANCIAL  
REPORT  
FOR THE YEAR ENDED JUNE 30, 2010***



***DENNIS DAUGAARD, GOVERNOR***

***MATT MICHELS, LT. GOVERNOR***

***JASON C. DILGES, COMMISSIONER  
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**

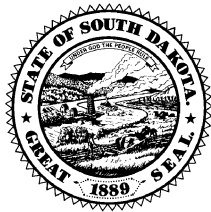
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**A sincere thanks to all who contributed their time and effort to this publication.**

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# STATE OF SOUTH DAKOTA

DENNIS DAUGAARD, GOVERNOR



May 20, 2011

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

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2010. Since FY2010 was not during my term as Governor of this great state, I commend Governor Rounds for his work in maintaining a solid financial foundation for South Dakota. I pledge my continued effort toward maintaining this sound financial condition.

This is our 24<sup>th</sup> *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies of state government and reporting entities for which the state has oversight responsibilities. Like previous reports, this report presents to you and the financial community the sound financial condition of South Dakota.

Even in these challenging economic times, South Dakota's economy continues to outperform the national economy in many areas. Recent data supports this, as the state's average annual income growth rate from 2006 through 2010 was above the national average. In addition, the nonfarm employment growth rate in South Dakota has exceeded the national growth rate from 2006 through 2010. Although the unemployment rate in South Dakota remains elevated due to the economic recession, it was one of the lowest in the nation through fiscal year 2010, and remains that way today.

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

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

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

Sincerely,

Dennis Daugaard  
Governor







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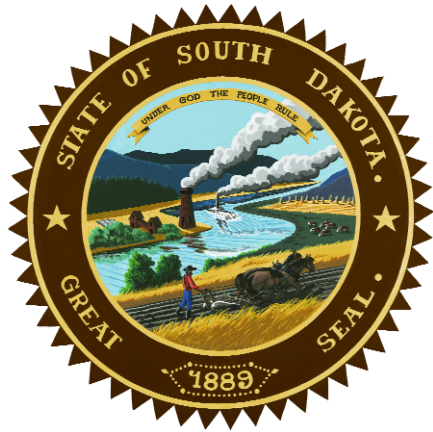
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# *INTRODUCTORY SECTION*

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## DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

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**TO THE HONORABLE DENNIS M. DAUGAARD, GOVERNOR OF SOUTH DAKOTA**

### **MEMBERS OF THE SOUTH DAKOTA LEGISLATURE**

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (herein after referred to as the State) for the fiscal year ended June 30, 2010.

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

The CAFR is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section*, which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2010 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the "Basic Financial Statements"; the Basic Financial Statements that present the government-wide financial statements, fund financial statements, notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

**Internal Controls.** Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The Bureau of Finance and Management is able to monitor revenues and expenditures on a weekly basis to detect excess expenditures, or shortfalls in revenues. As required by State statute, the State Auditor, an elected official, shall be presented all accounts and claims against the State to examine and adjust the same. Also, as required by State statute, the State Treasurer, an elected official, shall have charge of, and safely keep, all public moneys which shall be paid into the State treasury, and pay out the same as directed by law. The Department of Revenue periodically audits retail establishments to assure their payment of sales and excise taxes. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefit likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgements by management.

**Independent Auditors.** The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

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

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

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

## **PROFILE OF THE GOVERNMENT**

**Structure.** The State entered the Union on November 2, 1889 as the 39<sup>th</sup> or 40<sup>th</sup> state (with its twin, North Dakota). South Dakota has 75,885 square miles of land and a population estimated to be 0.8 million. The State has a strong governor-bicameral legislative form of government. The Governor may be elected for two consecutive four-year terms. The Governor appoints all heads of state departments who serve at the pleasure of the Governor. The State Legislature is composed of a 35-member Senate and a 70-member House of Representatives. Legislators are elected for two-year terms and limited to four consecutive terms for the same seat.

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

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

The State's largest sources of General Fund revenues are sales and service taxes, business taxes and lottery proceeds. The largest categories of General Fund expenditures are general bill expenditures for state aid to primary and secondary education; property tax relief payments made by the State to local government units through state aid to education; the State's share of the cost of Medicaid, corrections and higher education; operation, maintenance and improvement of facilities for state government; and, state salaries.

**State Reporting Entity.** The State's reporting entity reflected in the CAFR, which is described more fully in the Notes to the Financial Statements, conforms to the requirements of GASB Statement No. 14, *The Financial Reporting Entity*. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Under GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources. Consequently, the transmittal letter, MD&A, and the basic financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements, excluding Higher Education, should be read to obtain a complete overview of their financial position.

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

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

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

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

Total investment income for all funds invested by the Investment Council was \$1.2 billion for fiscal year 2010. Income for the most recent five years totaled \$1.4 billion and, since inception, has exceeded \$8.9 billion. The Investment Council has grown from \$133.0 million in assets under management at the end of its first year to \$8.3 billion at June 30, 2010.

Investment Council management of the Cash Flow Fund portfolio resulted in earnings this year of \$48.3 million, a yield of 4.94%. The Cash Flow Portfolio has earned taxpayers \$975.4 million over the past 38 years.

The South Dakota Retirement System's assets have returned 8.9% for the past 37 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top one percentile against other state pension funds.

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

**Lottery.** The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 32 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2010, \$1.93 billion has been generated to fund many public programs and projects. Lottery provided \$119.9 million income (before transfers) during fiscal year 2010.

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

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

The unfunded actuarial accrued liability as a percent of covered payroll went from 16.2% in 2001 to 18.3% in 2010. The funding ratio decreased from 96.4% in 2001 to 96.3% in 2010. The funding ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation. In fiscal year 2010, SDRS experienced an 18.7% market return, significantly more than the assumed rate of return of 7.75%.

Plan assets at fair value in 2010 were \$6.5 billion compared to plan assets in 2001 of \$4.9 billion.



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

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

**Health and Life Insurance Benefits.** The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits. However, an insurance carrier provides claims administration services for health insurance. The Group Insurance Program within the Bureau of Personnel was established to administer and improve group health, life and the flexible benefit plans for state employees and their dependents. The program provides for payment of benefits to eligible claimants in the most efficient and cost effective manner. Premiums are charged to state funds for all covered employees, while employees share in the costs of co-pays, deductibles and dependent costs.

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

### ***ECONOMIC CONDITIONS AND OUTLOOK***

Employment growth is an important indicator of the state's economic health. Although the national economic recession has had a negative impact on employment in recent years, South Dakota continues to outperform the national economy in terms of nonfarm employment growth. South Dakota nonfarm employment growth was 2.0% in 2007, 1.2% in 2008, -1.9% in 2009 and -0.2% in 2010. United States nonfarm employment growth was 1.1% in 2007, -0.6% in 2008, -4.4% in 2009 and -0.7% in 2010.

In fiscal year 2010 (July 2009 – June 2010), nonfarm employment in South Dakota declined 1.6% compared to the national growth rate of -3.1% over the same time period. This was the ninth straight fiscal year that the South Dakota job market performed better than the United States. Sectors that experienced growth in fiscal year 2010 in South Dakota included education and health services and government. Sectors that were most impacted by the recession in fiscal year 2010, and thus experienced declines, include manufacturing; mining, logging, construction; and financial activities.

The unemployment rate in South Dakota continued to remain one of the lowest in the nation during fiscal year 2010 even while recovering from a severe national recession. In June of 2010, South Dakota's unemployment rate was 4.7%, less than half the U.S. unemployment rate of 9.5% for the same month.

Income growth is another important indicator of the state's economic health. In calendar year 2010 which is the most recent annual data that is available, South Dakota's personal income grew 1.5%. From 2006 through 2010, South Dakota's average personal income growth rate was 4.4% which ranked 5<sup>th</sup> in the nation over this time period. This was higher than the national growth rate of 2.7% and was the second highest in the seven state Plains Region. The other Plains Region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced average income growth rates of 3.8%, 3.6%, 2.5%, 2.8%, 3.5%, and 6.3%, respectively, over the same time period.

In addition to employment and income growth, a healthy agriculture sector has helped the state during these challenging economic times. Both 2009 and 2010 were strong years for crop production in South Dakota which helped stabilize the State's economy during and after the national economic recession. The value of all principal crops produced in South Dakota in 2010 totaled \$6.20 billion, 16% higher than the \$5.37 billion value of 2009 crops. The increase in value is due to increases in the value of corn for grain, soybeans and wheat produced in 2010. The 2010 value of crops produced in South Dakota represents the highest crop value since the series began in 1969.

The long term outlook for South Dakota's economy is cautiously optimistic as the state continues to recover from the national economic recession. As of February 2011, South Dakota nonfarm employment levels were 4,600 jobs or 1.2% higher when compared to February of 2010. In comparison, the U.S. economy gained 1.3 million jobs or 1.0% growth over the same time period. South Dakota's economy is expected to continue to recover and grow in 2011 and 2012 as the State continues to boast one of the lowest state per capita taxes in the nation. The state's business friendly environment combined with a healthy farm economy will help South Dakota's economy grow in the future.

## MAJOR INITIATIVES

In January 2011 Governor Dennis Daugaard, the previous Lieutenant Governor, succeeded the term limited Governor M. Michael Rounds as Governor. Under the new Administration, the State continues focus on 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. Recently, the state has stepped up efforts at creating new jobs, has established a new Department of Tribal Relations, and has convened a Medicaid study group, made up of legislators, providers, and others affected by the rapidly growing costs of the state's Medicaid program.

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

**Governor's Large Project Development Fund.** Created in 1991, the Large Project Tax Refund Program is currently being used to lure large businesses to South Dakota. This program provides incentives to new and expanding businesses in South Dakota by refunding a portion of sales, use and contractors' excise taxes to any business with construction projects that meet the requirements of the program. This program has encouraged the construction of 46 completed projects, with more underway and created thousands of jobs in our state. However this program is set to expire at the end of 2012.

In 2011 the Legislature created the Governor's Large Project Development Fund to replace the Large Project Tax Refund Program when it expires. This new program no longer refunds a portion of sales, use and contractors' excise taxes, but instead allocates 22% of the annual contractors' excise tax revenues into the Large Project Development Fund. This fund is then used to provide front-end economic development incentives to targeted businesses that are looking to develop or expand in South Dakota. This new program gives the State more flexibility to recruit businesses while providing savings to the General Fund.

**Science and Lab Facilities Upgrade.** In July 2008, \$73.9 million of revenue bonds were issued to finance upgrades in science facilities and laboratories on public university campuses. These upgrades support South Dakota's research initiative and to provide contemporary space for teaching. The upgraded included a new science building, a new paleontology building, an addition to an existing chemistry and bio engineering building and to complete renovations and upgrades of existing buildings at all six University campuses. All projects were completed in 2010.

**Workforce 2025.** Workforce 2025 is a group of innovative initiatives which focus on providing a competent and qualified workforce in South Dakota to allow for economic growth and expansion. The goal of this initiative is to respond to workforce challenges by engaging businesses, promoting education, and enhancing the state's workforce investment system.

The Departments of Labor, Tourism and State Development, Education, and the Board of Regents have partnered to develop five innovative initiatives.

- **Dakota Roots** is recruiting individuals to South Dakota by connecting them to career opportunities with the state's leading businesses. Companies interested in relocating or expanding also can receive assistance.
- **Live Dakota** is retaining current South Dakotans by educating them about the rewarding career opportunities in-state and the ability to get on the career fast track.
- **Grow Dakota** is preparing students for tomorrow's workforce through the Department of Education, the State's four technical institutes, the Department of Labor, and the Board of Regents.
- **Dakota Seeds** is matching businesses to potential future employees through internships and assistantships.
- **Build Dakota** is developing solutions to immediate, intermediate and long-term workforce challenges facing industries statewide while being responsive to economic impacts. Industry sectors of focus include Health Care, Energy, Manufacturing, Financial Services, and Construction Trades.

**2010 Research Centers.** In the past few years the State of South Dakota has invested \$21.5 million into the 2010 Research Initiative. This Initiative provided seed funding for nationally competitive research centers within the Regental system in collaboration with private sector partners. The Centers are focused on commercialization

in addition to becoming self-sustaining through the acquisition of grant and other external funding. The research centers are:

- Center for Infectious Disease Research and Vaccinology, South Dakota State University Department of Veterinary Science in collaboration with the University of South Dakota School of Medicine
- South Dakota Signal Transduction Center, University of South Dakota Sanford Research Institute
- Center for the Research and Development of Light-Activated Materials, University of South Dakota Department of Chemistry in collaboration with South Dakota State University, Department of Chemistry, University of South Dakota School of Medicine and Avera Research Institute
- Center for Bioprocessing Research and Development, South Dakota School of Mines and Technology Department of Chemical and Biological Engineering, and South Dakota State University Department of Biology/Microbiology
- Center of Excellence for Drought Tolerance Biotechnology, South Dakota State University in collaboration with the South Dakota seed industry
- National Center for the Protection of the Financial Infrastructure, Dakota State University
- Center for Detecting Rare Physics Processes with Ultra-Low Background Experiments, University of South Dakota and Sanford Laboratory at Homestake
- Center for Biological Control and Analysis by Applied Photonics, South Dakota State University, Department of Chemistry
- Translational Cancer Research Center, South Dakota State University and Sanford Research Institute
- Repair, Refurbish, and Return to Service Applied Research Center, South Dakota School of Mines and Technology.

**Sanford Underground Science and Engineering Laboratory (SUSEL/DUSEL).** In 2007 the National Science foundation selected the Sanford Underground Laboratory (SUSEL), owned by the South Dakota Science and Technology Authority as the site for a Deep Underground Science and Engineering Laboratory (DUSEL). The National Science Board awarded \$80 million dollars in grants to develop the design in cooperation with the Department of Energy who is also interested in conducting underground experiments. The SDSTA has been operating the facility funded by the State of South Dakota and a gift from T. Denny Sanford, but will run out of funding by June 2011. In December of 2010 the National Science Board decided not to fund future operations, as they did not feel funding facilities was within their mission. The Department of Energy is currently assessing their options, and has requested funding in the DOE FY2012 budget to fund operations of the Sanford Underground Laboratory. If their assessment is favorable, the DOE would fund operations in the future. The National Science Foundation did award a grant of \$4 million dollars to operate the facility from June through September to allow the DOE to complete their assessment.

**High School 2025.** The High School 2025 Initiative (HS2025) provides a framework to design a student-focused educational experience that will prepare students to accomplish their career goals and be successful in a global society.

The framework is designed around the four R's: relevance, relationships, rigor, and results. Through research, these four R's have been shown to produce positive results for students.

- Relationships. In order to be successful, students need to feel safe, respected and cared about. They need to connect with others.
- Relevance. In order to be engaged and willing to learn, students need to understand the connection between their daily studies and the rest of their lives.



- **Rigor.** In order to be prepared for postsecondary education, students need to be challenged academically.
- **Results.** If schools provide a rigorous and relevant curriculum and connections with adults, educational outcomes should follow.

**Other Education Initiatives.** South Dakota has taken a proactive role in assembling a variety of learning opportunities and advanced education methods. Recent initiatives include:

- **South Dakota Virtual School** offers a clearinghouse of distance learning high school courses.
- **South Dakota INCENTIVESplus** is a financial incentive system funded by the U.S. Department of Education that targets educators in high-need schools in mainly rural areas. It links performance and teacher pay and offers incentives to schools and individuals that are able to improve student performance.
- **Library Development** is a program in which the South Dakota State Library offers a "virtual library" through its online databases.
- **Technical Institutes.** South Dakota's four technical institutes strive to be leaders in educational excellence and innovation, enabling our workforce to capitalize on the emerging technologies of the 21st century and creating economic development solutions to help South Dakota compete in the global marketplace.
- **South Dakota Partnership for Teacher Quality** is a grant program funded by the U.S. Department of Education designed to increase student achievement in K-12 schools by developing highly qualified teachers.
- **Indian Education.** South Dakota experiences some achievement gaps between Native American students and non-Native American students in both the reading and math curricula areas. With funding help from the U.S. Department of Education, the State has implemented five specific programs designed to reduce those achievement gaps. These programs include:
  - **GEAR UP South Dakota**
  - **I LEAD**
  - **South Dakota College Access Challenge Grant**
  - **Core Concepts Planning Grant**
  - **Indian Demonstration Grant**

## **ACKNOWLEDGMENTS**

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

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

Respectfully Submitted,



Jason C. Dilges, Commissioner  
Bureau of Finance and Management

# **SOUTH DAKOTA FY2010 PRINCIPAL STATE OFFICIALS**

## ***EXECUTIVE BRANCH***

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

## ***CONSTITUTIONAL OFFICERS***

**The Honorable Marty J. Jackley, Attorney General  
The Honorable Chris Nelson, Secretary of State  
The Honorable Vernon Larson, Treasurer  
The Honorable Richard Sattgast, Auditor  
The Honorable Jarrod Johnson, Commissioner, School and Public Lands**

## ***PUBLIC UTILITIES COMMISSION***

**The Honorable Dusty Johnson, Commissioner  
The Honorable Gary Hanson, Commissioner  
The Honorable Steve Kolbeck, Commissioner**

## ***LEGISLATIVE BRANCH***

**The Honorable Tim Rave  
Speaker of the House**

**The Honorable Dave Knudson  
Senate Majority Leader**

**The Honorable Scott Heidepriem  
Senate Minority Leader**

**The Honorable Bob Faehn  
House Majority Leader**

**The Honorable Bernie Hunhoff  
House Minority Leader**

## ***JUDICIAL BRANCH***

**The Honorable David Gilbertson  
Chief Justice**

**The Honorable Glen Severson  
Associate Justice**

**The Honorable John Konenkamp  
Associate Justice**

**The Honorable Steven Zinter  
Associate Justice**

**The Honorable Judith Meierhenry  
Associate Justice**

# **SOUTH DAKOTA FY2010 FUNCTIONS OF STATE GOVERNMENT**

## ***GENERAL GOVERNMENT***

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

## ***HEALTH, HUMAN AND SOCIAL SERVICES***

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

## ***LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION***

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

## ***AGRICULTURE AND NATURAL RESOURCES***

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

## ***TRANSPORTATION***

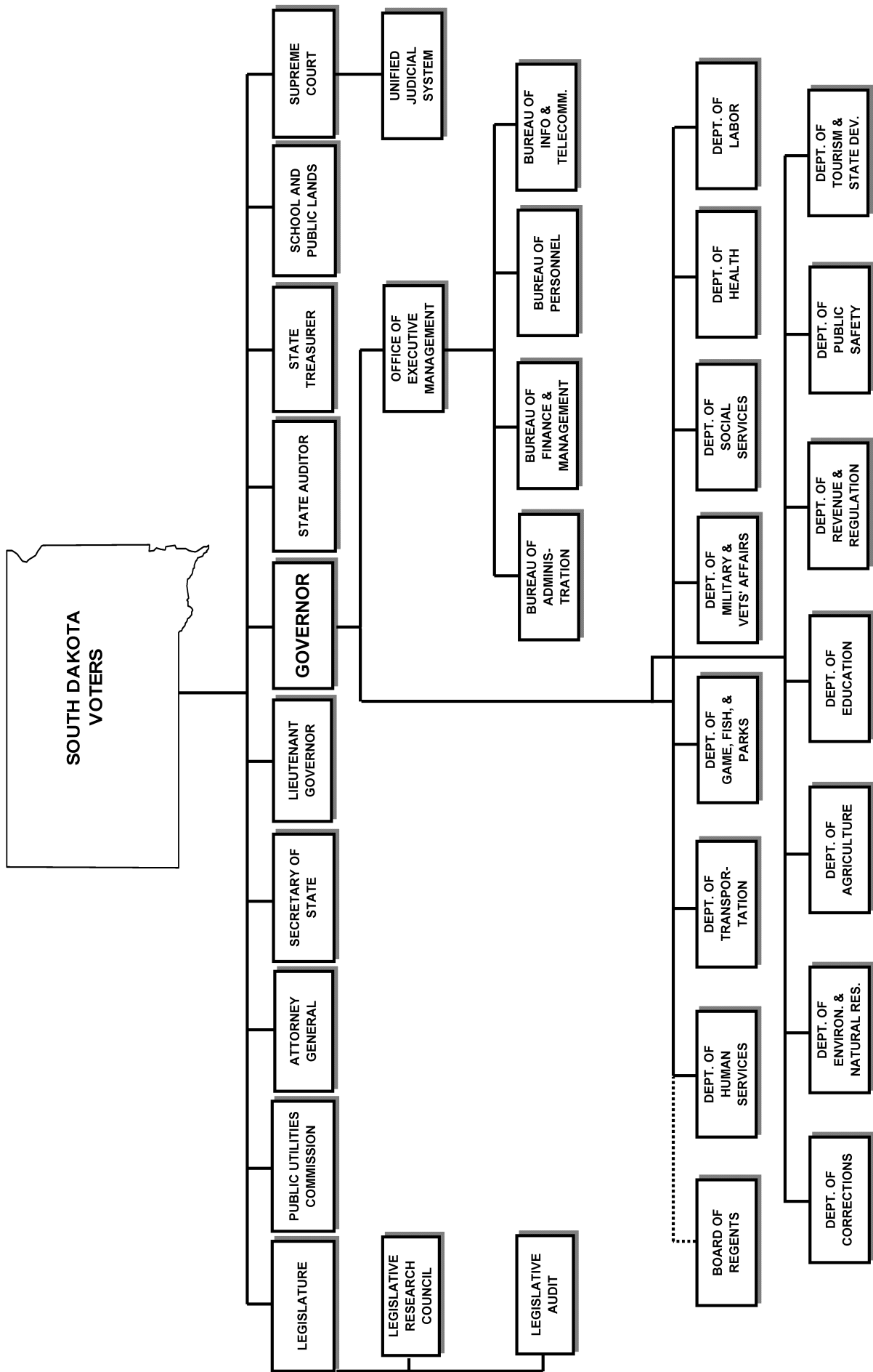
TRANSPORTATION

## ***EDUCATION***

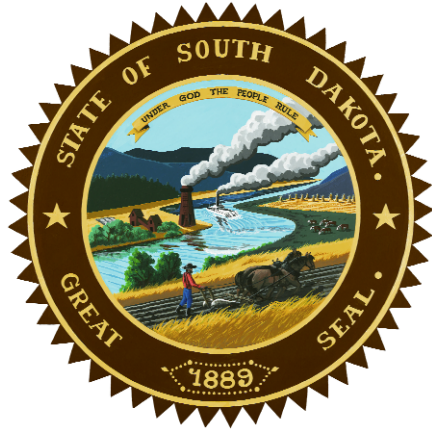
EDUCATION AND CULTURAL AFFAIRS  
ELEMENTARY, SECONDARY, AND VOCATIONAL  
SCHOOLS  
HIGHER EDUCATION  
STATE AID TO UNIVERSITIES

## ***ECONOMIC RESOURCES***

TOURISM AND STATE DEVELOPMENT







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# *FINANCIAL SECTION*

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(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard  
Governor of South Dakota

and

Members of the Legislature  
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Authority and certain foundations of Higher Education. Those financial statements reflect total assets and revenue and additions of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as follows:

	<u>Percent of Total Assets</u>	<u>Percent of Total Revenues/Additions</u>
Government-wide financial statements:		
Business-type activities:		
Unemployment Insurance Fund	2.9%	30.2%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Authority	62.9%	17.5%
Foundations of Higher Education	9.6%	9.2%
Aggregate remaining fund information:		
Unemployment Insurance Fund	.2%	2.8%
South Dakota Retirement System	84.2%	34.1%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we

plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2011, on our consideration of the State of South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized with a large, looped "M" and a long, sweeping underline.

Martin L. Guindon, CPA  
Auditor General

May 20, 2011

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following is a discussion and analysis of the state of South Dakota's (herein after referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide**

- Total assets of the State exceeded its total liabilities at the close of the fiscal year by \$4.7 billion (reported as net assets), an increase of \$288.8 million from the previous year. Certain resources within the total net assets balance have restrictions and internally imposed limitations that are discussed within the *Government-Wide Financial Analysis* section of this document. Component units reported net assets of \$1.4 billion, an increase of \$119.1 million from the previous year.

### **Fund Level**

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion, with \$0.5 billion reported as unreserved fund balance and the remaining amount of \$0.9 billion reserved for specific purposes (such as encumbrances, inventories, debt service, school perpetuity, noncurrent assets, Transportation Infrastructure Bank Projects, and funds held as permanent investments). Certain resources within the \$0.5 billion unreserved fund balance have internally imposed limitations that are discussed throughout the *Financial Analysis of the State's Funds* section of this document. At the end of the fiscal year, the unreserved fund balance for the General Fund was \$134.0 million. \$43.4 million of the unreserved fund balance was designated as budget reserve only to be used to address emergency situations, without having to raise taxes or cut spending, which are commonly referred to by management as the budget reserve. The remaining balance is reported as unreserved undesignated fund balance (\$90.6 million). Although this amount is unreserved undesignated, it should be noted certain resources within this balance have additional limitations imposed upon it. Internally imposed limitations include, but may not be limited to the following:
  - \$27.2 million represents tax revenue that was received in FY10, recognized in the General Fund in FY10, but not distributed to the General Fund until FY11 for purposes of meeting the State's ongoing obligations to the citizens and creditors for the next fiscal year.
  - \$24.4 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities and/or commitments.
  - \$9.4 million was previously approved and appropriated via past legislative actions to fund Specials and/or Maintenance and Repairs Legislative Acts that will require usage of current state resources.
  - \$15.5 million represents other legislative carryovers to be used in the next fiscal year.
- Proprietary funds reported net assets at year-end of \$482.3 million, an increase of \$44.2 million during the year.

### **Long-Term Debt**

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2010, totaled \$433.6 million, a decrease of \$32.1 million from the last fiscal year-end. The decrease represents the net difference between new issuances, payments and refundings of outstanding debt.



- During the fiscal year, the South Dakota Building Authority did not issue any Revenue Bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business Type Activities. The South Dakota Building Authority issued \$13.6 million in Taxable Revenue Bonds (Build America Bond) for Higher Education (a discretely presented component unit).

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

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

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

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

- ***Governmental Activities.*** The governmental activities of the State include general government; education – elementary, secondary and vocational schools; education – state support to higher education; health, human and social services; law, justice, public protection and regulation; agriculture and natural resources; economic resources; transportation; intergovernmental – payments to school districts; intergovernmental – revenue sharing; unallocated interest expense; and, unallocated depreciation. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal grants) finance most of the costs of these activities.
- ***Business-type Activities.*** The State charges fees to customers to help cover all or most of the costs of certain services it provides. The Lottery Fund is an example of a business-type activity.

- ***Discretely Presented Component Units.*** Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading, or incomplete. The following entities are included in the component unit columns of the State's government-wide financial statements:
  - ✓ Higher Education
  - ✓ Conservation Reserve Enhancement Program (CREP)
  - ✓ South Dakota Housing Development Authority
  - ✓ South Dakota Economic Development Finance Authority
  - ✓ Value Added Finance Authority
  - ✓ South Dakota Science and Technology Authority

Other component units are blended and reported as part of primary government or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer 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 the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital projects, debt service, and permanent funds.

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 near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund's financial statement.

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

- **Proprietary Funds.** Proprietary funds include: (1) enterprise funds and (2) internal service funds. These funds account for the State's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.

1. Enterprise funds (e.g., Lottery Fund) are used to account for activities that largely involve customers outside of state government, and are the same functions reported as business-type activities in the government-wide financial statements.

2. Internal service funds (e.g., Fleet and Travel Management) are used to account for activities that largely involve other state agencies. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

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

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

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

## ***Notes to the Financial Statements***

The notes to the financial statements are an integral part of the financial statements and provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements and fund financial statements. The notes to the financial statements are located immediately following the fiduciary funds' financial statements.

## ***Required Supplementary Information***

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

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the fiscal year ending June 30, 2010. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

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

## Other Supplementary Information

Other supplementary information includes combining financial statements for: nonmajor governmental funds, proprietary funds, fiduciary funds and component units that are incorporated into the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Assets.** As presented in the following table, total assets of the State on June 30, 2010, were \$5.7 billion, while total liabilities were \$0.9 billion, resulting in combined net assets (governmental and business-type activities) of \$4.7 billion.

State of South Dakota Net Assets (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 1,764,048	\$ 1,624,252	\$ 640,465	\$ 546,945	\$ 2,404,513	\$ 2,171,197
Capital Assets	3,283,671	3,179,405	4,863	2,299	3,288,534	3,181,704
<b>Total Assets</b>	<b>5,047,719</b>	<b>4,803,657</b>	<b>645,328</b>	<b>549,244</b>	<b>5,693,047</b>	<b>5,352,901</b>
Long-Term Liabilities Outstanding	400,790	428,433	127,688	132,281	528,478	560,714
Other Liabilities	350,698	309,109	65,195	9,344	415,893	318,453
<b>Total Liabilities</b>	<b>751,488</b>	<b>737,542</b>	<b>192,883</b>	<b>141,625</b>	<b>944,371</b>	<b>879,167</b>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,211,673	3,101,101	4,863	2,299	3,216,536	3,103,400
Restricted	1,004,704	897,491	2,138	302,713	1,006,842	1,200,204
Unrestricted	79,854	67,523	445,444	102,607	525,298	170,130
<b>Total Net Assets</b>	<b>\$ 4,296,231</b>	<b>\$ 4,066,115</b>	<b>\$ 452,445</b>	<b>\$ 407,619</b>	<b>\$ 4,748,676</b>	<b>\$ 4,473,734</b>

The largest component of the State's net assets, 67.7%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 21.2% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation on how they can be used. The majority of the restricted net assets are restricted for funds held as permanent investments, either as expendable (\$4.7 million) or nonexpendable (\$648.6 million). These include the following funds:

- **Dakota Cement Trust Fund.** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen." The fund balance in the Dakota Cement Trust Fund at June 30, 2010 was \$211.0 million, an increase of \$16.0 million from the previous year. The increase resulted primarily from investment income. The Dakota Cement Trust Fund transferred \$12.0 million to the General Fund in fiscal year 2010.

- **Health Care Trust Fund.** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature." The fund balance in the Health Care Trust Fund at June 30, 2010 was \$89.7 million, an increase of \$7.4 million from the previous year due primarily from investment income. On an accrual basis, the Health Care Trust Fund transferred \$3.9 million to the General Fund in fiscal year 2010.
- **Education Enhancement Trust Fund.** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature." The fund balance in the Education Enhancement Trust Fund at June 30, 2010 was \$326.3 million, an increase of \$23.8 million from the previous year. The increase resulted primarily from investment income. On an accrual basis, the Education Enhancement Trust Fund transferred \$14.8 million to the General Fund in fiscal year 2010.

The remaining balance, \$525.3 million, is defined by accounting standards as "unrestricted" net assets. However, much of the unrestricted net assets cannot be used to meet the State's general ongoing obligations to citizens and creditors as resources because of limitations imposed by federal regulations, bond covenants, or internally by state law. Limitations on unrestricted net assets imposed by federal regulations and bond covenants include \$172.8 million within the Clean Water State Revolving Fund and \$132.1 million within the Drinking Water State Revolving Fund. Other federal regulation limitations include, but are not limited to, \$17.8 million for unemployment insurance, \$8.0 for revolving loan programs, and \$6.0 million for health and public assistance.

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

- **General Fund Budget Reserve.** The 1991 South Dakota Legislature established a General Fund Budget Reserve whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2010 was \$43.4 million, which has remained unchanged from the previous year.
- **Property Tax Reduction Fund.** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. Senate Bill 225, passed during the 1996 legislative session, provides that the Commissioner of Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature, (3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; and (4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2010 was \$68.2 million, a decrease of \$0.3 million from the previous year.

**Changes in Net Assets.** The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net assets changed during fiscal year 2010.

(Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Service	\$339,669	\$307,493	\$283,495	\$222,165	\$623,164	\$529,658
Operating Grants and Contributions	1,768,957	1,447,753	50,927	26,272	1,819,884	1,474,025
Capital Grants and Contributions	2,275	2,519			2,275	2,519
General Revenues:						
Sales Taxes	663,146	675,652			663,146	675,652
Motor Fuel Taxes	127,807	124,442			127,807	124,442
Contractors Excise Taxes	85,973	71,533			85,973	71,533
Bank Card and Franchise Taxes	16,674	55,260			16,674	55,260
Other Taxes	273,535	261,176			273,535	261,176
Investment Earnings	101,246	(91,586)			101,246	(91,586)
Gain on Sale of Capital Assets	526	919			526	919
Miscellaneous	36,625	52,288			36,625	52,288
<b>Total Revenue</b>	<b>3,416,433</b>	<b>2,907,449</b>	<b>334,422</b>	<b>248,437</b>	<b>3,750,855</b>	<b>3,155,886</b>
Program Expenses:						
General Government	146,193	170,900			146,193	170,900
Education – Elementary, Secondary and Vocational Schools	212,919	195,534			212,919	195,534
Education – State Support to Higher Education	182,681	196,007			182,681	196,007
Health, Human and Social Services	1,337,922	1,200,436			1,337,922	1,200,436
Law, Justice, Public Protection And Regulation	241,217	243,805			241,217	243,805
Agriculture and Natural Resources	130,943	118,686			130,943	118,686
Economic Resources	52,966	45,006			52,966	45,006
Transportation	457,081	408,482			457,081	408,482
Intergovernmental – Payments to School Districts	405,947	400,162			405,947	400,162
Intergovernmental – Revenue Sharing	103,425	99,064			103,425	99,064
Unallocated Interest Expense	19,820	21,514			19,820	21,514
Unallocated Depreciation	58	58			58	58
Lottery			35,411	32,767	35,411	32,767
Clean Water State Revolving			4,455	4,777	4,455	4,777
Drinking Water State Revolving			5,066	3,253	5,066	3,253
Other			125,993	89,451	125,993	89,451
<b>Total Expenses</b>	<b>3,291,172</b>	<b>3,099,654</b>	<b>170,925</b>	<b>130,248</b>	<b>3,462,097</b>	<b>3,229,902</b>
Excess (Deficiency) Before Transfers	125,261	(192,205)	163,497	118,189	288,758	(74,016)
Transfers	118,671	120,002	(118,671)	(120,002)		
Change in Net Assets	243,932	(72,203)	44,826	(1,813)	288,758	(74,016)
Net Assets – Beginning (As Restated)	4,052,299	4,138,318	407,619	409,432	4,459,918	4,547,750
<b>Net Assets – Ending</b>	<b>\$4,296,231</b>	<b>\$4,066,115</b>	<b>\$452,445</b>	<b>\$407,619</b>	<b>\$4,748,676</b>	<b>\$4,473,734</b>

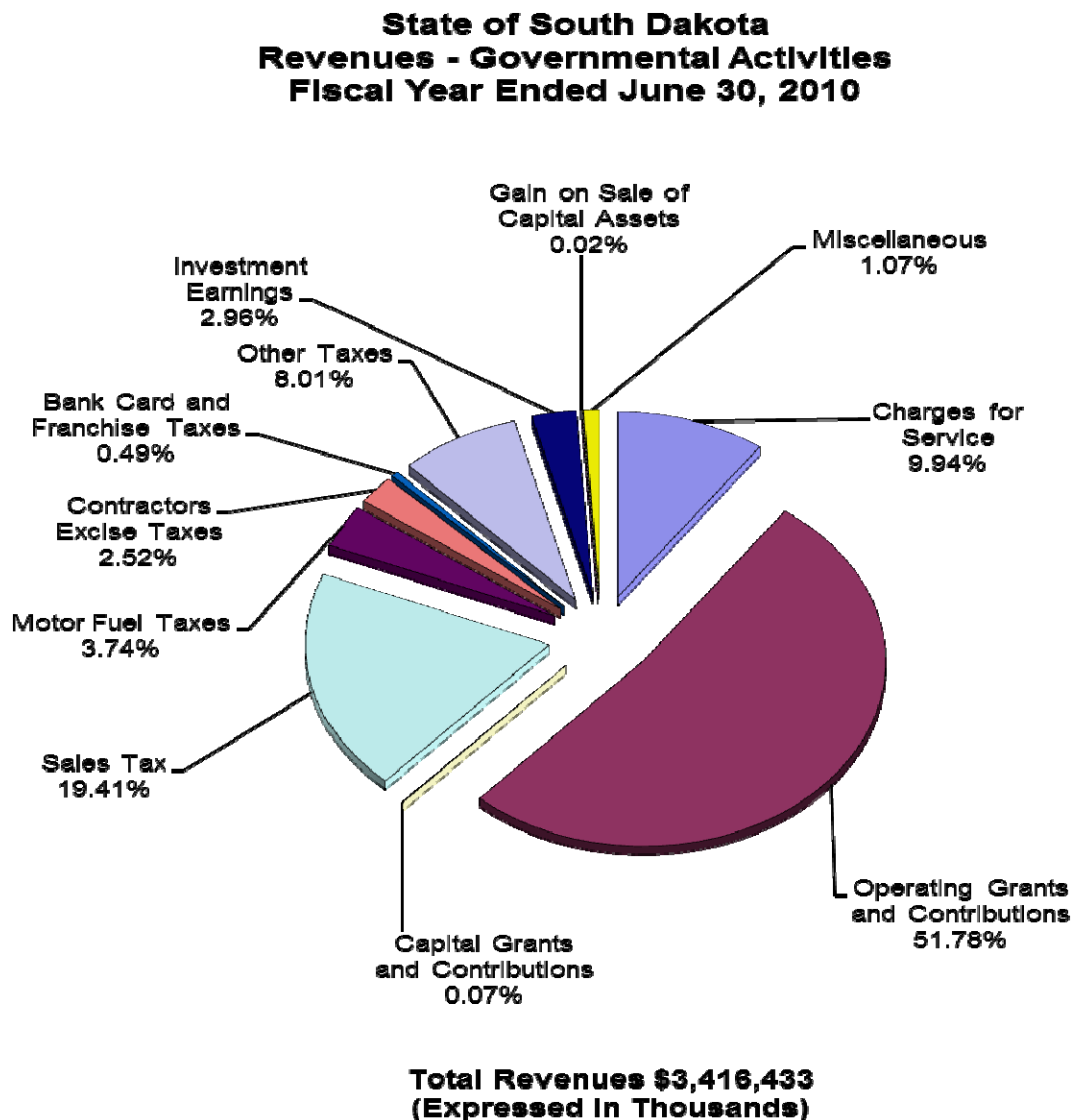


### *Governmental Activities:*

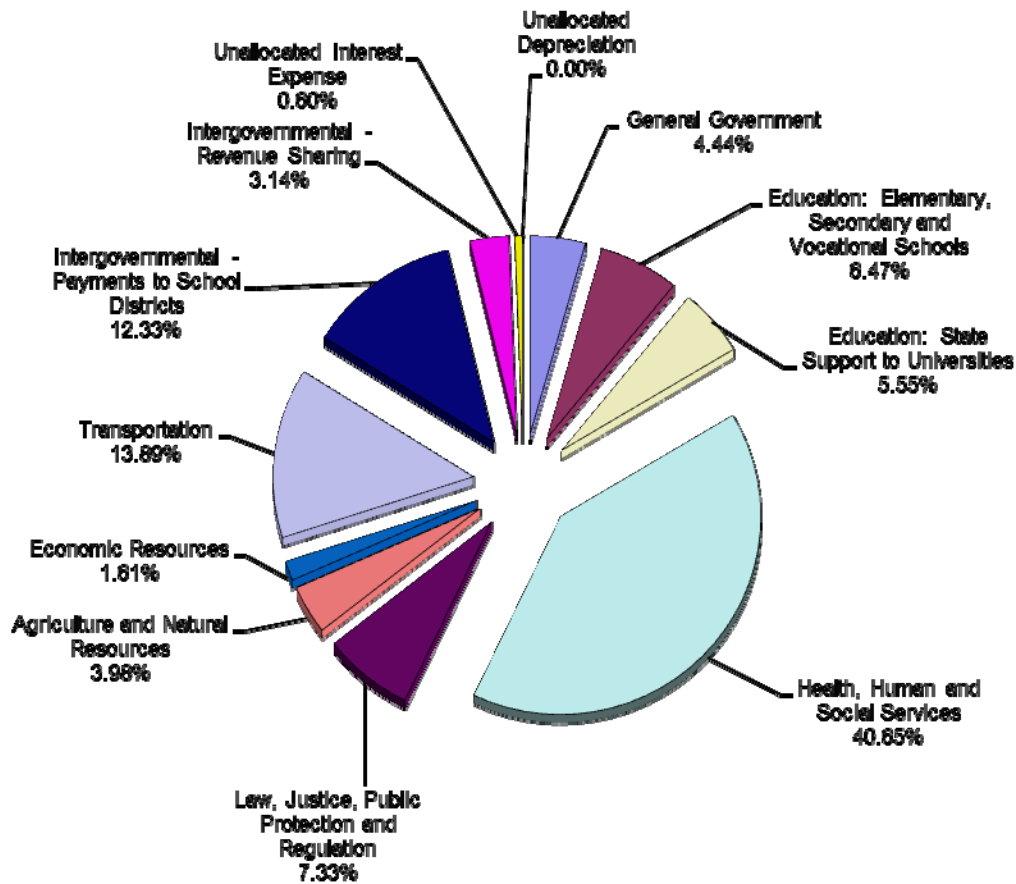
The State's net assets for Governmental Activities increased by \$243.9 million or 6.0% from its current operations. This was the result of the net effect of the following: (1) \$3.4 billion revenues (an increase from the prior year of \$509.0 million); less (2) \$3.3 billion expenses (an increase over the prior year of \$191.5 million); and, plus (3) net transfers of \$118.7 million (primarily from "transfers in" from the South Dakota Lottery in the amount of \$119.8 million).

- The increase in revenues was primarily due to a \$321.2 million increase in operating grants and contributions (of which \$277.8 million was ARRA related) and a \$192.8 million increase in investment earnings.
- The increase in expenses was primarily due to a \$137.5 million and \$48.6 million increases in Health, Human and Social Services and Transportation functions of government.

The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2010:



**State of South Dakota  
Expenses - Governmental Activities  
Fiscal Year Ended June 30, 2010**



**Total Expenses \$3,291,172  
(Expressed in Thousands)**

### ***Business-type Activities:***

- Net assets of the business-type activities increased by \$44.8 million primarily due to an increase in assessments in the Unemployment Insurance Fund and capitalization grants from the federal government in the Clean and Drinking Water State Revolving Funds.

## ***FINANCIAL ANALYSIS OF THE STATE'S FUNDS***

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

### ***Governmental Funds***

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

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion, an increase of \$115.3 million during the year.

Approximately 65.7%, or \$895.0 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed (1) to be held as permanent investments (\$653.0 million), (2) to pay debt service (\$66.3 million), (3) to liquidate contracts and purchase orders for the prior fiscal year (\$51.1 million), (4) for noncurrent assets (\$55.6 million), (5) to be held in a permanent trust fund with earnings distributed to the primary government and universities (\$26.3 million), (6) for inventories (\$22.5 million) or (7) for State Transportation Infrastructure Bank Projects (\$20.1 million).

Approximately 3.2%, or \$43.4 million of the combined ending fund balances, is designated as a General Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to address emergency situations without having to raise taxes or cut spending.

The remaining 31.1%, or \$423.0 million of the combined ending fund balances, constitutes unreserved fund balance. However some of this ending fund balance may not be used to meet the State's general ongoing obligations to citizens and creditors. \$332.3 million of this balance resides in special revenue funds that are intended for specific purposes that may have Federal and/or State statutory imposed limitations that limit the use of those resources for the intended specific purposes.

The following governmental funds are major funds and had significant impact on the state's financial position during fiscal year 2010:

- ***General Fund.*** The General Fund is the chief operating fund of the State. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$134.0 million, of which \$43.4 million was designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve). The total fund balance at the end of the current fiscal year was \$155.1 million. As a measure of General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance (including the unreserved designated amount) represents 12.0% of the total General Fund operating expenditures, while the total fund balance represents 13.9% of that same amount.

The State's General Fund revenues decreased by \$36.9 million (or 3.9%) from the previous fiscal year. Expenditures also decreased by \$41.5 million (or 3.6%). Overall, the fund balance increased by \$16.3 million during the current fiscal year. This 11.7% increase from the prior year was due almost entirely to transfers into the General Fund from the other funding sources.

- **Transportation.** The total fund balance at the end of the current fiscal year for the Transportation fund was \$141.8 million, an increase of \$91.9 million from the prior fiscal year. The increase resulted primarily from internal spending cuts in operating costs and priority given to the economic stimulus projects which caused a temporary delay in other construction projects that will require the future use of State funds.
- **Dakota Cement Trust.** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was \$211.0 million, an increase of \$16.0 million from the prior fiscal year. The increase resulted primarily from investment income during the fiscal year.
- **Education Enhancement Trust.** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$326.3 million, an increase of \$23.8 million from the prior fiscal year. The increase resulted primarily from investment income during the fiscal year.

### **Proprietary Funds**

The State's proprietary funds are presented on the full accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant changes to net assets during fiscal year 2010:

- **Lottery Fund.** At the end of the current fiscal year, the Lottery Fund reported total net assets of \$7.0 million, an increase of \$0.09 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$119.9 million on total revenue of \$154.6 million, compared to the previous fiscal year's income (before transfers) of \$120.6 million on total revenue of \$152.5 million. The increase in revenues was the result of increased sales for online tickets. During fiscal year 2010, the State Lottery distributed approximately \$106.7 million to the Property Tax Reduction Fund, \$6.1 million to the General Fund, \$6.8 million to the Capital Construction Fund, and \$0.2 million to the Department of Human Services.
- **Clean Water State Revolving Fund.** The Clean Water State Revolving Fund program provides low interest loans to governmental entities for wastewater, storm sewer, and nonpoint source pollution projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of \$173.2 million, an increase of \$16.5 million in comparison with the prior fiscal year. The increase resulted primarily from (1) the receipt of \$12.5 million capitalization grant monies received from the federal government and (2) \$4.0 million of revenue from investments, interest, and other sources in excess of operating expenses.
- **Drinking Water State Revolving Fund.** The Drinking Water State Revolving Fund program provides low interest loans for drinking water projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net assets of \$133.0 million, an increase of \$17.1 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of \$16.5 million of capitalization grant monies received from the federal government and (2) \$0.6 million of revenue from investments, interest, and other sources in excess of operating expenses.

## ***Budgetary Highlights***

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

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

**General Fund.** The difference between the original and the final amended budget was a \$1.5 million decrease in appropriations. That decrease can be attributed to two separate appropriation areas comprised of emergency specials and general bill adjustments.

The General Fund had \$4.0 million worth of emergency special appropriations during fiscal year 2010 that consisted of the following:

- \$1.8 million appropriation to the Department of Corrections for costs related to the purchase of land in Rapid City for future facilities.
- \$1.0 million appropriation to the Bureau of Administration for costs related to the extraordinary litigation fund.
- \$1.2 million appropriation to the Department of Agriculture for costs related to the suppression of wildfires.

The General Fund had general bill adjustments that decreased the original budget by \$5.5 million during fiscal year 2010 which consisted of the following:

- \$3.3 million decrease in appropriations to the Department of Human Services for programs in Developmental Disabilities, the SD Developmental Center, Alcohol and Drug Abuse, Rehabilitation Services, the Human Services Center, and Community Mental Health.
- \$1.0 million decrease in appropriations to the Department of Corrections for programs in Mike Durfee State Prison, The State Penitentiary, The Women's Prison and Juvenile Community Corrections.
- \$0.7 million decrease in appropriations to the Board of Regents for programs at the University of South Dakota, South Dakota State University, South Dakota School of Mines and Technology, Northern State University, Black Hills State University, Dakota State University, South Dakota School for the Deaf, and South Dakota School for the Blind.
- \$0.3 million decrease in appropriations to the Department of Education for programs in Educational Resources.
- \$0.1 million decrease in appropriations to the Department of Military & Veteran Affairs for programs in the Army Guard, Air Guard, and State Veteran's Home.

The net effect of the emergency special appropriations and the general bill adjustments resulted in a \$1.5 million dollar decrease in General Fund appropriations. Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending was \$10.1 million below final budgeted estimates.

## ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

### ***Capital Assets***

The State's investment in capital assets for its governmental and business type activities as of June 30, 2010, is \$3.3 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)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 102,479	\$ 100,406	\$ 295	\$ 295	\$ 102,774	\$ 100,701
Land Improvements	27,559	22,297	924	924	28,483	23,221
Land Improvements - Roads	596,572	589,010	0	0	596,572	589,010
Buildings	387,686	361,056	4,008	4,008	391,694	365,064
Equipment	156,036	147,101	4,542	1,581	160,578	148,682
Intangible Assets – Software	43,468	41,281	725	725	44,193	42,006
Vehicles	124,829	120,593	0	0	124,829	120,593
Infrastructure	3,250,872	3,136,828	0	0	3,250,872	3,136,828
Construction in Progress	216,372	212,672	0	0	216,372	212,672
<b>Total Capital Assets</b>	<b>4,905,873</b>	<b>4,731,244</b>	<b>10,494</b>	<b>7,533</b>	<b>4,916,367</b>	<b>4,738,777</b>
Accumulated Depreciation	(1,622,202)	(1,551,839)	(5,631)	(5,234)	(1,627,833)	(1,557,073)
<b>Total Capital Assets, Net</b>	<b>\$3,283,671</b>	<b>\$3,179,405</b>	<b>\$ 4,863</b>	<b>\$ 2,299</b>	<b>\$3,288,534</b>	<b>\$3,181,704</b>

The most significant capital asset the State reported in fiscal year 2010 was infrastructure assets and related land, land improvements, and construction in progress. Infrastructure assets are long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for \$2.7 billion (net of accumulated depreciation), which is 81.7% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2009 to 2010 by approximately 3.4%. The change was primarily due to ongoing construction and completion of segments of infrastructure - highways, bridges, and railroads. Construction in progress for highways, bridges, and railroads increased by \$59.7 million and decreased (projects completed and capitalized) by \$109.9 million. Land and land improvements increased by \$7.3 million which consisted of land purchased by the Department of Education (\$.7 million) and by the Department of Corrections (\$0.6 million) and land improvements made by Department of Transportation (\$1.4 million), Department of Military and Veterans Affairs (\$2.5 million) and Department of Game, Fish & Parks (\$1.6 million). Building and building improvements increased by \$26.6 million. This was largely due to the completion of building improvements for the Camp Rapid Recreation Center (\$1.0 million), the completion of the Yankton Armory Upgrades (\$0.4 million), the completion of the Herried Maintenance Shop (\$0.8 million), the completion of the Winner Heated Truck Shed (\$0.5 million), the completion of the Becker-Hanson Building 1<sup>st</sup> Floor Renovations (\$0.6 million), the completion of the Lake Area Technical Institute Automotive Addition (\$3.0 million), the completion of the Lake Area Technical Institute Diesel Energy & Welding Addition (\$8.0 million), the completion of the Mitchell Technical Institute Technology Addition (\$2.0 million), the completion of the Mitchell Technical Institute Utility Building (\$4.0 million), the completion of the Crawford Hall Radiant Heating Line Replacement (\$0.8 million), the purchase of the Rapid City Minimum Unit (\$1.6 million) and the completion of the Custer State Park Game Lodge Renovation (\$3.1 million). Equipment assets increased by \$11.9 million. This was largely due to the purchase of new equipment and replacing of aged



equipment by the Department of Transportation (\$3.5 million, net of disposals), the Bureau of Administration (\$2.1 million, net of disposals), by the Department of Game, Fish & Parks (\$0.7 million, net of disposals), by the Department of Human Services (\$1.4 million, net of disposals) and by the SD Lottery Office (\$2.9 million, net of disposals). Intangible assets increased by \$2.2 million. This is largely due to new software for the Department of Transportation (\$0.3 million, net of disposals), the Department of Corrections (\$0.6 million, net of disposals), the Bureau of Administration (\$0.3 million, net of disposals) and the Department of Revenue (\$0.7 million, net of disposals). Vehicles which include trucks, cars, pickups and other vehicles, increased by \$4.2 million largely due to replacing aged vehicles by the Department of Transportation (\$3.6 million, net of disposals) and the Department of Public Safety (\$0.5 million, net of disposals). Construction in progress, not including construction in progress for highways, bridges, and railroads, increased by \$53.9 million. This was largely due to new and ongoing projects by the Department of Military and Veterans Affairs (\$20.8 million, net of projects completed and capitalized), the Department of Game, Fish and Parks (\$0.9 million, net of projects completed and capitalized), the Bureau of Administration (\$2.0 million, net of projects completed and capitalized), the Department of Social Services (\$25.0 million, net of projects completed and capitalized), the Department of Human Services (\$2.7 million, net of projects completed and capitalized), and by the Department of Transportation (\$1.3 million, net of projects completed and capitalized).

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

### ***Debt Administration***

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

The South Dakota Building Authority was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other State departments and institutions. The South Dakota Building Authority is a blended component unit of the State. At June 30, 2010, the uninsured rating was Aa2 from Moody's and AA- from Standard and Poor's. On March 29, 2011 the Standard and Poor's rating was upgraded to AA. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of State departments and institutions are reported as part of governmental activities in the State's basic financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information. The South Dakota Building Authority did not issue any revenue bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business Type Activities. The South Dakota Building Authority issued \$13.6 million in Taxable Revenue bonds (Build America Bonds) for Higher Education (a discretely presented component unit).

The Educational Enhancement Funding Corporation (EEFC) is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and, accordingly, is included in the State's financial statements. At June 30, 2010, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. During the year, EEFC incurred no new long-term general indebtedness.

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

facilities respectively. At June 30, 2010, the South Dakota Conservancy District had maintained its long-term rating of Aaa from Moody's and AAA from Standard & Poor's on all outstanding State Revolving Fund Program Bonds. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State; or a pledge of the faith and credit of the State.

The bonds are paid solely from CWSRF and DWSRF loan repayments. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements. During the current fiscal year, the South Dakota Conservancy District issued Bond Anticipation Notes (BANS) for the CWSRF program with a par amount of \$37 million. They were sold at a premium of \$543,160 making the total BANS proceeds equal \$37,543,160. The District also issued BANS for the DWSRF program with a par amount of \$18 million. They were sold at a premium of \$264,240 making the total BANS proceeds equal \$18,264,240. The closing date on all the BANS was 8/26/2009. The maturity date was 9/30/2010 with an interest rate of 2.0%.

At June 30, 2010, primary government had total notes and bonded debt outstanding as follows:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenue Bonds:						
South Dakota Building Authority	\$ 52,591	\$ 61,271			\$ 52,591	\$ 61,271
Educational Enhancement Funding Corporation	207,578	219,230			207,578	219,230
South Dakota Conservancy District			126,509	131,097	126,509	131,097
Trust Certificates:						
South Dakota Building Authority	21,895	24,435			21,895	24,435
Capital Leases:	25,009	29,632			25,009	29,632
<b>Total</b>	<b>\$ 307,073</b>	<b>\$ 334,568</b>	<b>\$ 126,509</b>	<b>\$ 131,097</b>	<b>\$ 433,582</b>	<b>\$ 465,665</b>

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 declined during fiscal year 2010 as the national economic recession continued to have a negative impact on employment. In fiscal year 2010, nonfarm employment in the State declined 1.6%, or 6,700 jobs. Although job losses were realized during the fiscal year, employment growth in South Dakota was better than the national growth rate for the ninth fiscal year in a row. The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2010. South Dakota's unemployment rate was 4.7% in June 2010, while the U.S. unemployment rate was 9.5% the same month. In calendar year 2010, the most recent annual data that is available, South Dakota's personal income grew 1.5%

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

## ***REQUESTS FOR INFORMATION***

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

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

# ***BASIC FINANCIAL STATEMENTS***

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

***Government-Wide Financial Statements – Statement of Net Assets***

***Government-Wide Financial Statements – Statement of Activities***

***Balance Sheet – Governmental Funds***

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

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

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

***Statement of Net Assets – Proprietary Funds***

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

***Statement of Cash Flows – Proprietary Funds***

***Statement of Fiduciary Net Assets – Fiduciary Funds***

***Statement of Changes in Fiduciary Net Assets – Fiduciary Funds***

***Notes to the Financial Statements***

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 654,723	\$ 165,927	\$ 820,650
Receivables (Net)	371,165	384,485	755,650
Due From Component Units	1,131	12	1,143
Due From Primary Government			0
Internal Balances	7,903	(7,903)	0
Investments	671,852	91,778	763,630
Inventory	24,376	2,391	26,767
Deferred Swap Outflow			0
Deferred Fiscal Charges and Other Assets	9,475	1,134	10,609
Restricted Assets:			
Cash and Cash Equivalents	1	578	579
Investments	23,422	1,255	24,677
Other		808	808
Capital Assets:			
Land and Other Non-depreciable Assets	705,330	295	705,625
Infrastructure (net)	1,979,238		1,979,238
Property, Plant and Equipment (net)	382,731	4,568	387,299
Construction in Progress	216,372		216,372
<b>Total Assets</b>	<b>5,047,719</b>	<b>645,328</b>	<b>5,693,047</b>
<b>Liabilities</b>			
Accounts Payable and Other Liabilities	300,666	60,794	361,460
Due To Primary Government			0
Due To Component Units	2,039		2,039
Accrued Interest Payable	9,732	2,050	11,782
Deferred Revenue	38,261	2,351	40,612
Fair Value of Interest Rate Swap Agreements			0
Noncurrent Liabilities:			
Due Within One Year	46,782	6,740	53,522
Due In More Than One Year	354,008	120,948	474,956
<b>Total Liabilities</b>	<b>751,488</b>	<b>192,883</b>	<b>944,371</b>
<b>Net Assets</b>			
Invested In Capital Assets, Net of Related Debt	3,211,673	4,863	3,216,536
Restricted For:			
Highways	132,696		132,696
Agriculture and Natural Resources	90,420		90,420
Health and Public Assistance	4,013		4,013
Economic Development	27,112		27,112
Debt Service	56,609	1,330	57,939
Capital Projects	148		148
Energy Conservation Programs	11,006		11,006
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds held as Permanent Investments			
Expendable	4,676		4,676
Nonexpendable	648,617		648,617
Interim Lab			0
Sanford Center for Science Education			0
Other Purposes	29,407	808	30,215
Unrestricted	79,854	445,444	525,298
<b>Net Assets</b>	<b>\$ 4,296,231</b>	<b>\$ 452,445</b>	<b>\$ 4,748,676</b>

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

Component Units			
Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 284,401	\$ 46,983	\$ 152,485	\$ 2,997
1,598,024	383	146,898	26,413
	10	2,029	
612,526		261,272	3,595
1,370	1,602	7,538	
30,107			
14,128	1,341	3,608	56
		49,508	11
		15,982	6,368
220	13,563	32,238	
6,610	35,330	475,372	
	4,723	214,729	
2,547,386	103,935	1,361,659	39,440
21,870	1,712	54,253	1,429
30	10	1,103	
12,277		3,493	335
		19,038	23
30,107			
178,428	149	38,235	1,574
1,867,299	149	441,166	25,883
2,110,011	2,020	557,288	29,244
861	53,616	440,683	
436,514		4,708	6,379
		99,533	
		270,420	
	20,211		
	13,100		
	13,019		
	1,969	(10,973)	3,817
\$ 437,375	\$ 101,915	\$ 804,371	\$ 10,196

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 146,193	\$ 166,457	\$ 15,104	\$
Education - Elementary, Secondary and Vocational Schools	212,919	6,204	228,862	
Education - State Support to Higher Education	182,681		11,639	
Health, Human and Social Services	1,337,922	36,758	991,246	1,160
Law, Justice, Public Protection and Regulation	241,217	57,213	84,815	
Agriculture and Natural Resources	130,943	64,940	46,713	
Economic Resources	52,966	1,796	20,135	
Transportation	457,081	6,301	370,443	1,115
Intergovernmental - Payments to School Districts	405,947			
Intergovernmental - Revenue Sharing	103,425			
Unallocated Interest Expense	19,820			
Unallocated Depreciation	58			
<b>Total Governmental Activities</b>	<b>3,291,172</b>	<b>339,669</b>	<b>1,768,957</b>	<b>2,275</b>
<b>Business-type Activities:</b>				
Lottery	35,411	154,669	613	
Clean Water State Revolving	4,455	5,781	15,185	
Drinking Water State Revolving	5,066	3,997	18,238	
Revolving Economic Development and Initiative	1,540	2,009	1,697	
Unemployment Insurance	92,601	87,820	12,971	
Second Injury	3,212	3,292	81	
State Fair	2,243	1,910	64	
Federal Surplus Property	3,510	3,636	28	
Rural Rehabilitation	749	246	221	
Prison Industries	2,115	2,402	98	
Health Insurance Risk Pool	7,366	5,414	1,214	
Professional and Licensing	6,847	6,313	430	
Banking and Insurance	3,090	2,579	22	
Other	2,720	3,427	65	
<b>Total Business-type Activities</b>	<b>170,925</b>	<b>283,495</b>	<b>50,927</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 3,462,097</b>	<b>\$ 623,164</b>	<b>\$ 1,819,884</b>	<b>\$ 2,275</b>
<b>Component Units:</b>				
Housing Authority	\$ 122,433	\$ 155,745	\$	\$
Science and Technology Authority	13,755	717	20,012	
Higher Education	632,396	303,196	176,143	10,427
Nonmajor	1,639	1,582	15	
<b>Total Component Units</b>	<b>\$ 770,223</b>	<b>\$ 461,240</b>	<b>\$ 196,170</b>	<b>\$ 10,427</b>

**General Revenues:**

**Taxes:**

Sales Taxes

Motor Fuel Taxes

Contractors Excise Taxes

Bank Card and Franchise Taxes

Other Taxes

Investment Earnings

State Support to Higher Education

Gain on Sale of Capital Assets

Miscellaneous

Additions to Endowments

Transfers

Total General Revenues, Additions to Endowments and Transfers

Changes in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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



Net (Expenses) Revenue and Changes in Net Assets						
Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 35,368	\$	\$ 35,368				
22,147		22,147				
(171,042)		(171,042)				
(308,758)		(308,758)				
(99,189)		(99,189)				
(19,290)		(19,290)				
(31,035)		(31,035)				
(79,222)		(79,222)				
(405,947)		(405,947)				
(103,425)		(103,425)				
(19,820)		(19,820)				
(58)		(58)				
(1,180,271)	0	(1,180,271)				
	119,871	119,871				
	16,511	16,511				
	17,169	17,169				
	2,166	2,166				
	8,190	8,190				
	161	161				
	(269)	(269)				
	154	154				
	(282)	(282)				
	385	385				
	(738)	(738)				
	(104)	(104)				
	(489)	(489)				
	772	772				
0	163,497	163,497				
(1,180,271)	163,497	(1,016,774)				
			\$ 33,312	\$	\$	\$
				6,974		
					(142,630)	
						(42)
			33,312	6,974	(142,630)	(42)
663,146		663,146				
127,807		127,807				
85,973		85,973				
16,674		16,674				
273,535		273,535				
101,246		101,246		1,961	21,234	136
					182,681	
526		526				
36,625		36,625				
					15,462	
118,671	(118,671)					
1,424,203	(118,671)	1,305,532	0	1,961	219,377	136
243,932	44,826	288,758	33,312	8,935	76,747	94
4,052,299	407,619	4,459,918	404,063	92,980	727,624	10,102
\$ 4,296,231	\$ 452,445	\$ 4,748,676	\$ 437,375	\$ 101,915	\$ 804,371	\$ 10,196

**STATE OF SOUTH DAKOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**  
**(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>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 109,953	\$ 117,230	\$ 2,934	\$ 12,186	\$ 17,118
Investments				197,950	320,757
Receivables From:					
Taxes (net)	95,331	11,583			
Interest and Dividends	2,394	519	2	845	1,536
Other Funds	37,925	1,207	29		
Component Units					
Other Governments	648	30,486	32,513		
Loans and Notes (net)		29			
Other (net)	4,079	803	6,031		1,671
Inventory	1,774	16,463			
Deferred Fiscal Charges and Other Assets	840	353	68		
<b>Total Assets</b>	<u>\$ 252,944</u>	<u>\$ 178,673</u>	<u>\$ 41,577</u>	<u>\$ 210,981</u>	<u>\$ 341,082</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other Liabilities	\$ 64,737	\$ 31,643	\$ 40,246	\$	\$
Payable To:					
Other Funds	7,091	1,169	976		14,803
Component Units	647	43	125		
Other Governments	23,619	3,735	73		
Claims, Judgments and Compensated Absences	68	10	14		
Deferred Revenue	1,716	270			
<b>Total Liabilities</b>	<u>97,878</u>	<u>36,870</u>	<u>41,434</u>	<u>0</u>	<u>14,803</u>
<b>Fund Balances:</b>					
Reserved For:					
Encumbrances	15,474	10,969	8,036		
Inventories	1,774	16,463			
Debt Service					
School Perpetuity					
Noncurrent Assets	3,856				
State Transportation Infrastructure Bank Projects		20,130			
Funds held as Permanent Investments				238,000	329,330
Unreserved Designated For:					
Budget Reserve	43,398				
Unreserved Undesignated, Reported In:					
General Fund	90,564				
Special Revenue Funds		94,241	(7,893)	(27,019)	(3,051)
Capital Project Funds					
<b>Total Fund Balances</b>	<u>155,066</u>	<u>141,803</u>	<u>143</u>	<u>210,981</u>	<u>326,279</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 252,944</u>	<u>\$ 178,673</u>	<u>\$ 41,577</u>	<u>\$ 210,981</u>	<u>\$ 341,082</u>

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

<u>Nonmajor</u>	<u>Total</u>
\$ 339,395	\$ 598,816
176,567	695,274
6,226	113,140
2,126	7,422
16,388	55,549
200	200
104,823	168,470
51,768	51,797
16,864	29,448
4,268	22,505
1,345	2,606
<u>\$ 719,970</u>	<u>\$ 1,745,227</u>

\$ 61,997	\$ 198,623
29,422	53,461
1,101	1,916
58,517	85,944
128	220
41,662	43,648
<u>192,827</u>	<u>383,812</u>

16,667	51,146
4,268	22,505
66,345	66,345
26,340	26,340
51,752	55,608
	20,130
85,631	652,961

	43,398
	90,564
275,992	332,270
148	148
<u>527,143</u>	<u>1,361,415</u>
<u>\$ 719,970</u>	<u>\$ 1,745,227</u>



**STATE OF SOUTH DAKOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**June 30, 2010**

**(Expressed in Thousands)**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,361,415</b>
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**Amounts reported for governmental activities in the statement of net assets  
are different because:**

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

Land and Construction in Progress	921,493	
Infrastructure	3,250,871	
Other Capital Assets	647,052	
Accumulated Depreciation	<u>(1,557,714)</u>	
Total Capital Assets		3,261,702

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

14,694

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

29,857

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	(278,045)	
Accrued Interest on Bonds	(9,732)	
Capital Leases	(18,276)	
Compensated Absences	(44,895)	
Unclaimed Property	(1,593)	
Workers Compensation	(175)	
Net OPEB Obligation	(9,740)	
Pollution Remediation	<u>(8,981)</u>	
Total Long-Term Liabilities		<u>(371,437)</u>

**Net Assets of Governmental Activities**

**\$ 4,296,231**

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, 2010**  
**(Expressed in Thousands)**

	<b>General Fund</b>	<b>Transportation</b>	<b>Social Services Federal</b>	<b>Dakota Cement Trust</b>	<b>Education Enhancement Trust</b>
Revenue:					
Taxes	\$ 863,838	\$ 179,540	\$	\$	\$
Licenses, Permits and Fees	8,199	4,131			
Fines, Forfeits and Penalties	575				
Use of Money and Property	21,002	4,720	24	28,030	38,594
Sales and Services	7,995	1,362			
Administering Programs	43	262,247	699,346		
Tobacco Settlement					
Other Revenue	14,375	513	4,800		
Total Revenue	<u>916,027</u>	<u>452,513</u>	<u>704,170</u>	<u>28,030</u>	<u>38,594</u>
Expenditures:					
Current:					
General Government	27,557				
Education	19,175				
Education - Payments to School Districts	382,904				
Education - State Support to Higher Education	171,040				
Health, Human and Social Services	341,779		704,067		
Law, Justice, Public Protection and Regulation	126,749	15,139			
Agriculture and Natural Resources	14,255				
Economic Resources	10,205				
Transportation		389,991			
State Shared Revenue Paid to Other Governments	21,071				
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>1,114,735</u>	<u>405,130</u>	<u>704,067</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(198,708)	47,383	103	28,030	38,594
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	32	1,360			
Insurance Proceeds					
Transfers In	232,592	4,665			
Transfers Out	(17,612)	(3,554)		(12,000)	(14,803)
Net Other Financing Sources (Uses)	<u>215,012</u>	<u>2,471</u>	<u>0</u>	<u>(12,000)</u>	<u>(14,803)</u>
Net Change in Fund Balances	16,304	49,854	103	16,030	23,791
Fund Balances at Beginning of Year, as restated	138,762	91,949	40	194,951	302,488
Fund Balances at End of Year	<u>\$ 155,066</u>	<u>\$ 141,803</u>	<u>\$ 143</u>	<u>\$ 210,981</u>	<u>\$ 326,279</u>

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

<u>Nonmajor</u>	<u>Total</u>
\$ 123,757	\$ 1,167,135
184,676	197,006
10,731	11,306
30,650	123,020
23,302	32,659
783,923	1,745,559
25,175	25,175
13,749	33,437
<u>1,195,963</u>	<u>3,335,297</u>
43,975	71,532
207,016	226,191
24,678	407,582
11,641	182,681
319,000	1,364,846
121,611	263,499
118,428	132,683
42,667	52,872
105,805	495,796
82,354	103,425
2,336	2,336
22,958	22,958
18,550	18,550
<u>1,121,019</u>	<u>3,344,951</u>
74,944	(9,654)
3,571	4,963
809	809
176,640	413,897
(246,730)	(294,699)
<u>(65,710)</u>	<u>124,970</u>
9,234	115,316
<u>517,909</u>	<u>1,246,099</u>
<u>\$ 527,143</u>	<u>\$ 1,361,415</u>





**STATE OF SOUTH DAKOTA**  
**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 115,316**

**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	199,147	
Depreciation Expense	(82,996)	
Excess of Capital Outlay Over Depreciation Expense		116,151

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (8,000)

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

Bond Principal Retirement	22,961	
Capital Lease Payments	1,657	
Total Long-Term Debt Repayment		24,618

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expenses) of certain activities of internal service funds is reported in governmental activities. (631)

Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues increased (decreased) by this amount this year. (2,113)

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

Bond Issuance and Refunding Costs	(357)	
		(357)

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	(621)	
(Increase) Decrease in Compensated Absences	(97)	
(Increase) Decrease in Workers Compensation	49	
(Increase) Decrease in Unclaimed Property	572	
(Increase) Decrease in Net OPEB Obligation	(2,924)	
(Increase) Decrease in Pollution Remediation	1,969	
Total Additional Expenditures		(1,052)

**Change in Net Assets of Governmental Activities** **\$ 243,932**

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

STATE OF SOUTH DAKOTA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010  
(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		
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 8,026	\$ 37,391	\$ 35,748	\$ 84,762	\$ 165,927	\$ 55,908
Receivables:						
Interest and Dividends	80	1,877	1,301	545	3,803	309
Other Funds				339	339	7,462
Component Units				12	12	931
Other Governments		320	473	696	1,489	121
Loans and Notes (Net)		17,693	11,003	8,920	37,616	
Other (Net)	4,836			3,247	8,083	260
Inventory				2,391	2,391	729
Deferred Fiscal Charges and Other Assets		38	42	92	172	2,850
Total Current Assets	12,942	57,319	48,567	101,004	219,832	68,570
Restricted Assets:						
Restricted Cash	42	10	526		578	
Restricted Investments	462	374	419		1,255	
Other	808				808	
Investments		56,674	35,104		91,778	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	2,986			7,195	10,181	86,248
Accumulated Depreciation	(240)			(5,373)	(5,613)	(64,488)
Construction in Progress					0	209
Total Capital Assets	2,746	0	0	2,117	4,863	21,969
Other Noncurrent Assets		166,210	125,034	43,191	334,435	
Total Assets	17,000	280,587	209,650	146,312	653,549	90,539
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,350	171	190	1,799	4,510	3,993
Payable To:						
Other Funds	7,155			1,078	8,233	1,546
Component Units					0	123
Escrow Payable	71				71	
Bonds, Notes and Leases Payable		40,574	20,539		61,113	3,079
Claims, Judgments and Compensated Absences	126	27	26	1,649	1,828	17,854
Accrued Interest Payable		1,137	913		2,050	
Deferred Revenue	158			2,193	2,351	8,165
Total Current Liabilities	9,860	41,909	21,668	6,719	80,156	34,760
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		65,472	54,926		120,398	3,654
Claims, Judgments and Compensated Absences	113	24	23	390	550	22,268
Total Noncurrent Liabilities	113	65,496	54,949	390	120,948	25,922
Total Liabilities	9,973	107,405	76,617	7,109	201,104	60,682
Net Assets						
Invested In Capital Assets, Net of Related Debt	2,746			2,117	4,863	15,236
Restricted For:						
Debt Service		384	946		1,330	
Other	808				808	
Unrestricted	3,473	172,798	132,087	137,086	445,444	14,621
Total Net Assets	\$ 7,027	\$ 173,182	\$ 133,033	\$ 139,203	\$ 452,445	\$ 29,857

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,359	\$	\$	\$ 10,997	\$ 12,356	\$
Use of Money and Property		3,937	2,847	2,053	8,837	1
Sales and Services	153,272	1,301	886	13,885	169,344	194,256
Administering Programs		12,463	16,557	11,910	40,930	249
Assessments				91,112	91,112	
Other Revenue		543	264	860	1,667	1,763
Total Operating Revenue	154,631	18,244	20,554	130,817	324,246	196,269
Operating Expenses:						
Personal Services and Benefits	1,459	226	219	8,526	10,430	32,864
Travel	144	10	12	1,007	1,173	647
Contractual Services	7,552	341	577	8,230	16,700	31,509
Supplies and Materials	479	1	2	4,078	4,560	16,128
Other	72	876	1,977	1,025	3,950	
Interest		2,963	2,237		5,200	350
Depreciation/Amortization	186	38	42	210	476	7,074
Lottery Prizes	25,519				25,519	
Insurance Claims				102,672	102,672	110,730
Total Operating Expenses	35,411	4,455	5,066	125,748	170,680	199,302
Operating Income (Loss)	119,220	13,789	15,488	5,069	153,566	(3,033)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	192
Loss on Disposal of Assets					0	(41)
Interest Income	613	2,722	1,681	4,091	9,107	2,543
Other Expense				(245)	(245)	0
Capital Contribution					0	235
Grant and Other Income	38			1,031	1,069	
Total Nonoperating Revenue (Expenses)	651	2,722	1,681	4,877	9,931	2,929
Income (Loss) Before Transfers	119,871	16,511	17,169	9,946	163,497	(104)
Transfers:						
Transfers In				2,336	2,336	1,838
Transfers Out	(119,780)	(33)	(29)	(1,165)	(121,007)	(2,365)
Net Transfers In (Out)	(119,780)	(33)	(29)	1,171	(118,671)	(527)
Change in Net Assets	91	16,478	17,140	11,117	44,826	(631)
Net Assets at Beginning of Year	6,936	156,704	115,893	128,086	407,619	30,488
Net Assets at End of Year	\$ 7,027	\$ 173,182	\$ 133,033	\$ 139,203	\$ 452,445	\$ 29,857

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, 2010**  
**(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Major			Nonmajor	Total	Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 155,179	\$ 1,290	\$ 847	\$ 113,158	\$ 270,474	\$ 74,249
Receipts from Interfund Services Provided				3,222	3,222	121,664
Receipts from Federal Agencies		12,460	16,440	11,953	40,853	
Receipts from Loan Payments		16,796	13,834	9,317	39,947	
Payments to Suppliers and for Benefits and Claims	(7,328)	(1,113)	(2,454)	(115,004)	(125,899)	(145,721)
Payments for Employee Services	(1,475)	(242)	(214)	(8,499)	(10,430)	(32,761)
Payments for Interfund Services Used	(839)			(1,577)	(2,416)	(12,493)
Payments for Lottery Prizes	(25,457)				(25,457)	
Payments for Loans Originated		(26,429)	(31,738)	(5,571)	(63,738)	
Other Receipts (Payments)	(20)	393	169	1	543	435
Net Cash Provided (Used) by Operating Activities	120,060	3,155	(3,116)	7,000	127,099	5,373
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(2,900)			(21)	(2,921)	(1,758)
Sales of Capital Assets						341
Payments on Capital Lease Obligations						(4,913)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,900)	0	0	(21)	(2,921)	(6,330)
Cash Flows From Noncapital Financing Activities:						
Transfers In				2,336	2,336	1,837
Transfers Out	(118,422)	(37)	(29)	(1,165)	(119,653)	(2,365)
Borrowings from Federal Government				24,089	24,089	
Repayments to Federal Government				(24,089)	(24,089)	
Issuance of Bond Anticipation Notes		37,000	18,000		55,000	
Payments on Bonds and Notes		(2,820)	(1,815)		(4,635)	
Interest Payments on Bonds and Notes		(2,747)	(2,250)		(4,997)	
Other Noncapital Financing Activities				796	796	
Net Cash Provided (Used) by Noncapital Financing Activities	(118,422)	31,396	13,906	1,967	(71,153)	(528)
Cash Flows From Investing Activities:						
Investment Income	650	2,563	1,555	4,254	9,022	2,646
Purchase of Investment Securities		(15,104)	(9,831)		(24,935)	
Proceeds from the Sale and Maturity of Investments		7,075	3,448		10,523	
Net Cash Provided (Used) by Investing Activities	650	(5,466)	(4,828)	4,254	(5,390)	2,646
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(612)	29,085	5,962	13,200	47,635	1,161
Cash and Cash Equivalents at Beginning of Year (Restated)	8,680	8,316	30,312	71,562	118,870	54,747
Cash and Cash Equivalents at End of Year	\$ 8,068	\$ 37,401	\$ 36,274	\$ 84,762	\$ 166,505	\$ 55,908

Continued on next page

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
	Lottery					
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 119,220	\$ 13,789	\$ 15,488	\$ 5,069	\$ 153,566	\$ (3,033)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	186	38	42	210	476	7,074
Interest Expense		2,963	2,237		5,200	391
Miscellaneous Nonoperating Items	38			(1)	37	46
Decrease/(Increase) in Assets:						
Accounts Receivable	367			(1,584)	(1,217)	(34)
Interest, Dividends & Penalties Receivable		7	(153)	30	(116)	
Loans and Notes Receivable		(13,577)	(20,597)	3,619	(30,555)	
Due From Other Funds				(34)	(34)	236
Due From Component Units				13	13	175
Due From Other Governments		(14)	(157)	771	600	28
Inventory				(598)	(598)	(4)
Deferred Fiscal Charges and Other Assets				92	92	(695)
Other Restricted Assets	(90)				(90)	
Increase/(Decrease) in Liabilities:						
Accounts Payable	327	(35)	19	(485)	(174)	(842)
Accrued Liabilities	(2)	(5)	(1)	12	4	3
Compensated Absences Payable	(14)	(11)	6	12	(7)	97
Due To Other Funds				(925)	(925)	(51)
Due To Component Units						101
Due To Other Governments	1				1	173
Deferred Revenue	(77)			389	312	(340)
Escrow Payable	22				22	
Policy Claim Liabilities				417	417	2,048
Other Liabilities	82			(7)	75	
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,060</u>	<u>\$ 3,155</u>	<u>\$ (3,116)</u>	<u>\$ 7,000</u>	<u>\$ 127,099</u>	<u>\$ 5,373</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets						149
Capital Lease Obligations Entered Into						(1,525)
Transfers In (Out) of Fixed Assets						235

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,832	\$ 11,657	\$ 59,934
Receivables:			
Employer	2,005		
Employee	3,175		
Benefits	68		
Unsettled Investment Sales	1,533		
Taxes Receivable			33,541
Due From Other Funds		109	
Due From Other Governments			492
Investment Income	16,753	486	46
Other		15	472
Total Receivables	23,534	610	34,551
Investments, at Fair Value:			
Fixed Income	1,899,510		
Equities	3,355,064		
Real Estate	608,205		
Private Equity	739,015		
Pooled Investment Funds		118,999	
Total Investments	6,601,794	118,999	0
Properties, at Cost	60	13,890	
Accumulated Depreciation	(31)		
Other Assets	18	9	
Total Assets	6,632,207	145,165	\$ 94,485
<b>Liabilities</b>			
Payables:			
Accounts Payable and Other Liabilities	3,265	191	\$ 9,219
Refunds - Contractors Excise Tax			33,681
Due To Other Funds	63	156	
Due To Other Governments			51,585
Compensated Absences Payable	250		
Securities Sold, But Not Yet Purchased, at Fair Value	78,941		
Unsettled Investment Purchases	13,888		
Total Liabilities	96,407	347	\$ 94,485
<b>Net Assets</b>			
Held in Trust For:			
Pension Benefits	6,535,800		
Individuals and Other Governments		144,818	
Total Net Assets	\$ 6,535,800	\$ 144,818	

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employee	\$ 98,347	\$
Employer	96,914	
From Clients and Inmates		7,642
Other		7,108
Total Contributions	<u>195,261</u>	<u>14,750</u>
Investment Income:		
From Investing Activities		
Net Increase (Decrease) in Fair Value of Investments	875,438	10,350
Interest	99,962	
Dividends	78,232	
Real Estate	4,175	
Pooled Interest and Dividends		4,111
Investment Activity Income	<u>1,057,807</u>	<u>14,461</u>
Less Investment Activity Expenses	<u>(39,892)</u>	
Net Investment Income (Loss)	<u>1,017,915</u>	<u>14,461</u>
Escheated Property		63
Miscellaneous Income		757
<b>Total Additions</b>	<u>1,213,176</u>	<u>30,031</u>
<b>Deductions</b>		
Benefits	329,240	
Escheat Distributionhs		30
Refunds of Contributions	29,148	
Distribution to School Districts		8,672
Payments made for Trust Purposes		8,754
Administrative Expenses	<u>3,433</u>	<u>5</u>
<b>Total Deductions</b>	<u>361,821</u>	<u>17,461</u>
Net Increase (Decrease)	851,355	12,570
<b>Net Assets Held In Trust</b>		
<b>Beginning of Year</b>	<u>5,684,445</u>	<u>132,248</u>
<b>End of Year</b>	<u>\$ 6,535,800</u>	<u>\$ 144,818</u>

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





# ***NOTES TO THE FINANCIAL STATEMENTS***

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# **NOTES TO THE FINANCIAL STATEMENTS**

## **JUNE 30, 2010**

### **1. Summary of Significant Accounting Policies**

#### **A. Basis of Presentation**

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

#### **B. Reporting Entity**

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

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

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

The State's major discretely presented component units are:

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

The State's nonmajor discretely presented component units are:

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

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

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

#### **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the Statement of Net Assets and Statement of Activities. The Statement of Net Assets and Statement of Activities report all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are generally supported by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part

by fees charged to external parties for goods or services. The focus of the government-wide financial statements and notes to the financial statements is the primary government. A separate column is presented for each major discretely presented component unit and a column for all non-major discretely presented component units in the aggregate.

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

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

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

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

##### ***Government-Wide Financial Statements***

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

##### ***Governmental Fund Financial Statements***

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

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

##### ***Proprietary, Fiduciary, and Similar Component Units Financial Statements***

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

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

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

## ***Financial Statement Presentation***

The State reports the following major governmental funds:

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

***The Transportation Fund*** accounts for dedicated state tax revenue for the construction, maintenance, and supervision of state highways and bridges and federal grants received by the Department of Transportation.

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

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

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

The State reports the following major proprietary funds:

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

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

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

In addition, the State reports the following fund types:

### ***Governmental Funds:***

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

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

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

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

### ***Proprietary Funds:***

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

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

## ***Fiduciary Funds:***

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

***Private Purpose Trust Funds*** account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. The Common School Fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support local school districts.

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

## ***E. Budgetary Accounting***

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

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

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

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2010 totaled \$51,146,000.

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

### ***Cash and Cash Equivalents and Investments***

Cash includes cash on hand, cash in local banks, and cash in the State Treasury. Cash equivalents are valued at cost plus accrued interest. Cash equivalents include short-term investments with original maturities of three months or less. Cash balances of most state funds are pooled and invested by the State Investment Officer. Investment income is allocated to participating funds at fiscal year-end. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature.

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

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

investments are based on valuations on the underlying companies of the limited partnerships as reported by the general partner.

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

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

### ***Receivables***

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

### ***Inventories***

Inventories reported in the governmental fund types are reported at cost using the weighted average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the Higher Education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2010 market price. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by deferred revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2010, the commodities inventory was reported in the amount of \$1,142,000.

### ***Capital Assets***

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

All land is capitalized regardless of cost. Land improvements are capitalized when the cost of the improvement is \$50,000 or more. Buildings and building improvements are capitalized when the cost is \$100,000 or more. Equipment (including purchased software licenses) is capitalized when the cost of individual items is \$5,000 or more. Infrastructure assets are capitalized when the cost of the assets is \$1,000,000 or more for governmental funds and fiduciary funds, and \$50,000 or more for proprietary funds and component units. Intangible assets such as easements, patents, trademarks, internally generated computer software, etc. (as defined by GASB Statement 51) are capitalized when the cost is \$250,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

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

Land Improvements	20-30
Buildings and Improvements	15-50
Infrastructure	20-99
Equipment	3-17
Intangible Assets	3-25

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business-type activity

discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$8,230,920 and \$375,585, respectively, as of June 30, 2010. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

### ***Long-term Obligations***

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

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

### ***Net Assets/Fund Balances***

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

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

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

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

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

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2010 was \$43,398,000 and is reported as unreserved designated equity in the General Fund.

### ***G. Compensated Absences***

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

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



## ***H. Lottery Security Deposits***

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2010, the amount of certificate of deposits being held by the Lottery was \$461,705 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,828,100 was in the form of surety bonds, deposits in cash, or irrevocable letters of credit and is not reported on the Statement of Net Assets.

## ***I. Interfund Activity and Balances***

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

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return, or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. An example is securities taxes collected by the Department of Revenue and Regulation which are deposited into a special revenue fund but are transferred to and expended by the General Fund.

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

## ***2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS***

### ***Restatements-Primary Government***

The beginning fund balance for the General Fund, reported as a major governmental fund on the Balance Sheet, decreased by \$13,814,962 for the recognition of a liability as the result of an overpayment of the bank franchise tax by a taxpaying entity. The beginning net assets reported for governmental activities in the government-wide Statement of Activities decreased by the same amount.

### ***Restatements-Component Units***

The beginning net assets balance reported for Higher Education was increased by \$173,000 as a result of reporting Intangible Assets in accordance with GASB Statement 51 effective for state fiscal year 2010. These assets were not reported in prior years.

The beginning net assets balance reported for Higher Education was decreased by \$1,992,000 for errors in the reporting of accounts receivable, construction in progress, fixed assets, wages payable, other post-employment benefits, due from primary government, and other miscellaneous reporting errors in prior years.

### ***Recently Issued Pronouncements***

In February 2009, the GASB issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes standards for accounting and financial reporting for all governments that report governmental funds. The requirements of GASB Statement No. 54 are effective for the State's fiscal year 2011 financial statements.

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

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

Management has not yet determined the impact that the unimplemented GASB statements will have on the State's financial statements.

### **3. CASH, DEPOSITS, AND INVESTMENTS**

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

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by \$9,380,189 for deficit cash balances that existed in various state funds at June 30, 2010, and is reported as an interfund receivable.

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

#### **A. Primary Government**

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 77% of the Cash Flow Portfolio) and discretely presented component units (comprising 23% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council (SDIC) and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Building Authority CREP Program and the Vocational Education Program.

#### **Deposits**

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2010, pledged collateral for all depositories equaled at least 100% of the total public deposits in excess of depository insurance. As a result, none of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2010, the Retirement Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolios were exposed to custodial credit risk of \$6,399,630.

At June 30, 2010, 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 \$199,475.

At June 30, 2010, 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 \$884,673.

## Investments

**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. The SDIC has no formal policy for investment custodial credit risk. Collateral securities in the securities lending program are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in South Dakota's name. Due to the suspension of the securities lending program by the SDIC, no collateral securities were held by the Cash Flow Portfolio, the Retirement Funds, or the Trust Funds at June 30, 2010, which resulted in no custodial credit risk for those funds respectively. The Other Funds, however, had custodial credit risk totaling \$128,089,601 at June 30, 2010.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the fixed income portfolios held by the various funds. The Cash Flow Portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5 years. The Retirement Portfolios fixed income portfolio duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The Trust Portfolios investment-grade fixed income portfolios are benchmarked to the duration of the Citigroup (BIG) Index. The Treasury Inflation Protected Securities (TIPS) investments have a range of 5 to 10 years to maturity at purchase. The externally managed fixed income assets have duration ranges as specified in their prospectuses. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds. The weighted modified durations (in years) of the various funds are listed in the following table (expressed in thousands):

Investment Type	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$ 15,264	2.25	\$ 95,854	8.23	\$ 16,825	7.89	\$	
U.S. Treasury bills			12,100	.22				
U.S. Treasury STRIPS			36,885	12.88				
U.S. Treasury inflation protected securities					25,383	2.70		
U.S. agencies	177,420	2.21	22,996	4.84	12,626	7.34	12,097	.67
FDIC's Temporary Liquidity Guarantee Program	114,113	1.93	22,659	2.30	3,085	2.40		
U.S. Government-backed loans					2,742	10.72		
Investment grade corporate	557,554	2.26	357,470	3.78	36,073	4.60		
High-yield corporates			152,863	3.63	2,307	4.41		
High-yield bond mutual fund					6,135	4.70		
Mortgage-backed securities			298,883	2.15	47,266	2.17		
Mutual funds			192,025					
Municipal bonds					118,034	5.71		
Investment agreements							115,993	15.47
Total	<u>\$ 864,351</u>		<u>\$ 1,191,735</u>		<u>\$ 270,476</u>		<u>\$ 128,090</u>	
Portfolio modified duration		2.20		3.34		4.82		14.07

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio actively managed portion can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow Portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2010, 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	\$ 271,693	\$ 455,225	\$ 96,985	\$ 19,409
Aa	156,693	52,721	86,223	
A	378,956	116,955	34,259	76,844
Baa	21,906	139,226	11,953	
Ba		94,524	3,651	8,415
B		11,061	369	
Caa		1,843	62	
P-1				23,422
Unrated		94,003	14,337	33,187
Total	\$ 829,248	\$ 965,558	\$ 247,839	\$ 161,277

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement and Trust Portfolios' exposure to foreign currency risk at June 30, 2010, are as follows (in U.S. dollar fair value, expressed in thousands):

Retirement Portfolios					Trust Portfolios			
Currency	Equities U.S.Dollar Fair Value	Fixed Income U.S. Dollar Fair Value	Cash U.S Dollar Fair Value	Total	Equities U.S.Dollar Fair Value	Cash U.S Dollar Fair Value	Total	
Australian Dollar	\$ 4,862	\$	\$	\$ 4,862	\$	\$	\$	
Brazilian Real	1,478		14	1,492				
British Pound	162,878		181	163,059	16,302	172	16,474	
Canadian Dollar	51,224		1,584	52,808	1,592	27	1,619	
Danish Kroner	1,405		1	1,406				
Euro	239,688		3,653	243,341	29,339		29,339	
Hong Kong Dollar	3,440			3,440				
Hungarian Forint	193			193				
Israeli Shekel	815			815				
Japanese Yen	152,737		966	153,703	15,090		15,090	
Korean Won	9,668			9,668				
Malaysian Ringgit								
New Zealand Dollar	780			780				
Norwegian Krone	4,166			4,166				
Singapore Dollar	103			103				
South African Rand	17		1	18				
Swedish Krona	1,671			1,671				
Swiss Franc	113,881			113,881	11,822		11,822	
Taiwan Dollar								
Turkish Lira	955			955				
Russia								
Total Fair Value	\$ 749,961	\$ 0	\$ 6,400	\$ 756,361	\$ 74,145	\$ 199	\$ 74,344	

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, 2010 was \$88,673,268. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2010 was \$1,882,581,086. The total fair value of global equity investments managed by outside managers was \$103,406,382. The total fair value of arbitrage equity investments managed by outside managers was \$105,199,097.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Cash Flow Portfolio has a policy in place limiting its investments in individual holdings. Information regarding the Cash Flow Portfolio policy is located in the Credit Risk section. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the Retirement Portfolios and Trust Portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios at June 30, 2010.

### ***Derivative Financial Instruments in Primary Government***

**South Dakota Retirement System.** Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. The South Dakota Retirement System (SDRS) is exposed to a variety of derivative products through the investment management of the SDIC and their outside managers.

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2010 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
U.S. Treasury note due September 2010	Long	180	\$ 332
S&P 500 Index due September 2010	Long	386	(2,799)

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 futures contracts as a means of adjusting the SDRS portfolio mix at a lower transaction cost than the transactions, which would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2010, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, the SDRS pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, SDRS receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The net change in fair value from futures contracts for fiscal year ended June 30, 2010 was \$10,927,539.

The SDIC also enters into foreign exchange forward contracts to manage foreign currency exposure, as permitted by portfolio policies. The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2010 was \$8,492,143.

SDRS 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, 2010, the net fair value of foreign currency forward contracts was \$4,499,577. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

SDRS 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. The fair value of futures contracts with notional priced to the 10-year U.S. Treasury note were \$332,110. In addition, the SDRS is also exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is \$4,499,577.

**Cement Plant Retirement Fund.** The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial, interest rate and commodity futures as a means of adjusting the plan's portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2010 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
10 Year US Treasury Note	Long	1	\$ 123

The Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2010 was \$2,247,475. The SDIC is using this investment to enhance fixed returns.

**Trust Portfolios.** The School and Public Lands, Dakota Cement Trust, and Health Care Trust fixed income portfolios invest in mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2010 was \$15,440,664, \$21,835,941, and \$9,989,159, respectively. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the fair value of these securities. The SDIC invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding the interest rate risks for these investments are included with the interest rate risk disclosures.

## **B. Component Units**

### **Deposits**

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2010 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$463,475.

### **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, 2010, investments in the amount of \$7,687,798 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. Investments of the Capital Reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related Series of the Bonds. The average duration of individual securities will not exceed twenty years. Investments of the Mortgage Reserve accounts must provide for the purposes thereof as estimated by the Authority.

The duration of fifty percent of individual securities will not exceed two years from the date of purchase or deposit. The Housing Development Authority assumes that its callable investments will not be called. The Housing Development Authority invests in mortgage pass-through securities issued by GNMA, FNMA and FHLMC. Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk.

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

As of June 30, 2010, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasuries bills	\$ 145,970	\$ 145,970	\$	\$	\$
U.S. Treasuries notes	115,928		87,599	6,582	21,747
U.S. Treasury strips	60		60		
U.S. agencies	322,609	17,669	141,884	38,902	124,154
Mutual funds	151,243	150,846	397		
State Obligations	108,778	2,201	2,936	3,250	100,391
Investment agreements	9,325	3,595	737		4,993
Total	\$ 853,913	\$ 320,281	\$ 233,613	\$ 48,734	\$ 251,285

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

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

As of June 30, 2010, the Housing Development Authority, Economic Development Finance Authority and the Board of Regent's investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
Aaa	\$ 461,497
Aa	2,479
A	6,504
Unrated	108,098
Total Fair Value	\$ 578,578

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units place no limit on the amounts that they may invest in any one issuer. As of June 30, 2010, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (11.83%), Federal National Mortgage Association (10.62%), Federal Home Loan Mortgage Corporation (11.02%) and South Dakota Housing Development Authority (11.92%).

## 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, 2010, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally 10 years after the date of issuance of the related bonds (expressed in thousands).

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating*	Fair Value
<b>Merrill Lynch Capital Services</b>							
2003 C-1	\$ 26,500	6/18/04	3.40%	57% of LIBOR plus 0.42%	5/01/2013	A2	\$ (1,717)
2005 D	6,925	4/13/05	3.29%	57.3 % of LIBOR plus 0.40%	5/01/2015	A2	(581)
2007 I	34,000	10/16/07	4.14%	63.8% of LIBOR plus 0.30%	5/01/2038	A2	(3,977)
<b>JPMorgan Chase Bank, N.A.</b>							
2004 G	33,000	10/20/04	3.90%	63.4% of LIBOR plus 0.29%	5/01/2034	Aa1	(2,333)
2005 C	41,000	4/13/05	3.93%	63.3% of LIBOR plus 0.30%	5/01/2035	Aa1	(3,215)
2008 F	34,000	9/4/08	3.85%	63.7% of LIBOR plus 0.31%	05/03/2039	Aa1	(3,283)
<b>UBS AG**</b>							
2003 F	13,000	6/21/05	3.76%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa3	(662)
2003 I	28,000	6/21/05	3.76%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa3	(1,419)
2004 C	34,000	6/21/05	3.75%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa3	(1,851)
<b>Bank of America, N.A.</b>							
2009 C	22,000	11/18/09	3.14%	64.0% of LIBOR plus 0.22%	5/01/2039	Aa3	(808)
<b>Merrill Lynch Derivative Products, AG.</b>							
2005 G	25,000	7/19/05	3.77%	63.8% of LIBOR plus 0.29%	5/01/2035	Aa3	(1,673)
2006 C	45,000	6/14/06	4.42%	64% of LIBOR plus 0.29%	5/01/2037	Aa3	(5,418)
2008 C	48,380	3/26/08	3.42%	63.7% of LIBOR plus 0.30%	5/01/2039	Aa3	(2,593)
MPB 2008 A	7,320	8/2/08	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(577)

\* Moody's Investors Service

\*\*Swaps were novated to The Bank of New York, Mellon, on July 22, 2010

The fair values presented above were estimated by the Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2010. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.



## Swap Risks

**Credit Risk.** The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure to its counterparties when the swap positions have a positive value.

**Basis Risk.** The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2010, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 2.25% per annum, while the weighted average interest rate on the swaps was 2.173% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one-month, taxable LIBOR rate.

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

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

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

**Swap Payments and Associated Debt.** As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2010 (expressed in thousands):

Year End June 30	Variable-Rate Bond		Interest Rate		Total
	Principal	Interest	Swap – Net		
2011	\$ 80	\$ 1,181	\$ 13,068	\$ 14,329	
2012	80	1,181	13,066	14,327	
2013	90	1,181	12,941	14,212	
2014	90	1,180	12,324	13,594	
2015	95	1,180	12,321	13,596	
2016-2020	535	5,895	60,784	67,214	
2021-2025	665	5,883	60,536	67,084	
2026-2030	41,275	5,725	58,777	105,777	
2031-2035	279,600	4,180	43,807	327,587	
2036-2040	74,615	481	5,420	80,516	
2041-2045	1,535	38	306	1,879	
2046-2049	1,085	8	60	1,153	
Total	\$ 399,745	\$ 28,113	\$ 293,410	\$ 721,268	

## 4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

### A. Receivables - Net

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

	Governmental Activities							Total
	General Fund	Trans- portation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	
Taxes Receivable	\$ 103,989	\$ 11,604	\$	\$	\$	\$ 6,443	\$	\$122,036
Allowance	(8,658)	(21)				(217)		(8,896)
Accounts Receivable	5,190	1,164	6,031		1,671	19,890	260	34,206
Allowance	(1,111)	(361)				(3,026)		(4,498)
Due From Other Governments	648	30,486	32,513			104,823	121	168,591
Interest Receivable	2,394	519	2	845	1,536	2,126	309	7,731
Current Loans and Notes		29				4,571		4,600
Allowance						(368)		(368)
Non-current Loans and Notes						47,625		47,625
Allowance						(60)		(60)
Due From Fiduciary Funds	23					112	63	198
Receivables, net	<u>\$ 102,475</u>	<u>\$ 43,420</u>	<u>\$ 38,546</u>	<u>\$ 845</u>	<u>\$ 3,207</u>	<u>\$ 181,919</u>	<u>\$ 753</u>	<u>\$371,165</u>

	Business-type Activities				Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	
Accounts Receivable	\$ 4,855	\$	\$	\$ 6,542	\$ 11,397
Allowance	(19)			(3,295)	(3,314)
Due From Other Governments		320	473	696	1,489
Interest Receivable	80	1,877	1,301	545	3,803
Current Loans Receivable		17,693	11,003	9,229	37,925
Allowance				(309)	(309)
Noncurrent Loans Receivable		165,746	124,536	45,388	335,670
Allowance				(2,197)	(2,197)
Due From Fiduciary Funds				21	21
Receivables, net	<u>\$ 4,916</u>	<u>\$ 185,636</u>	<u>\$ 137,313</u>	<u>\$ 56,620</u>	<u>\$ 384,485</u>

## B. Accounts Payable and Other Current Liabilities

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

Governmental Activities						
	General Fund	Transportation Fund	Social Services Federal Fund	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	\$ 10,172	\$ 4,058	\$ 1,467	\$ 8,666	\$ 1,968	\$ 26,331
Accounts Payable	10,958	27,585	4,446	42,858	2,025	113,847
Bank Tax Refund	25,975					
Medicaid Claims	17,065		34,332	10,473		61,870
Due to Other Governments	2,917	3,735	73	41,702		48,427
Shared Revenue Distribution	20,702			16,815		37,517
Claims Payable					12,576	12,576
Due to Fiduciary Funds	54		2	42		98
Total	\$ 87,843	\$ 35,378	\$ 40,320	\$ 120,556	\$ 16,569	\$ 300,666

Business-type Activities					
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Nonmajor Enterprise Funds	Total
Payroll and Withholdings	\$ 97	\$ 12	\$ 11	\$ 512	\$ 632
Accounts Payable	1,749	159	179	1,287	3,374
Due to Fiduciary Funds				12	12
Escrow Payable	71				71
Claims Payable				1,201	1,201
Notes Payable		37,000	18,000		55,000
Other Liabilities	504				504
Total	\$ 2,421	\$ 37,171	\$ 18,190	\$ 3,012	\$ 60,794

## 5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2010 is as follows (expressed in thousands):

### A. Interfund Receivables and Payables

Due To	Due From								
	General Fund	Transportation Fund	Social Services Federal Fund	Education Enhancement Fund	Non-Major Governmental Fund	Lottery Fund	Non-major Enterprise Funds	Internal Service Funds	Fiduciary
General Fund	\$	\$	\$ 3	\$ 14,803	\$ 18,121	\$ 1,111	\$ 1	\$ 7	\$ 23
Transportation Fund			6		508			693	
Social Services Fund					29				29
Non-major Governmental Funds	920	65	288		3,908	5,969	923	109	112
Non-major Enterprise Funds	24	4	15		143			132	21
Internal Service Funds	2,049	1,100	663		2,765	75	142	605	63
Fiduciary Funds	54		1		42		12		
Total	\$ 3,047	\$ 1,169	\$ 976	\$ 14,803	\$ 25,516	\$ 7,155	\$ 1,078	\$ 1,546	\$ 219

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

Advances between funds also existed at June 30, 2010 which are not shown in the above table. These are amounts owed between funds that are not due within one year. In fiscal year 2010, advances include \$3,856,000 from the General Fund to the Parks and Recreation Fund, reported as a non-major governmental fund, for improvements to Custer State Park, and \$4,094,000 from the Energy Conservation Fund, reported as a non-major governmental fund, to the General Fund and the Veteran's Home Fund reported as a non-major governmental funds for energy conservation projects.

## **B. Interfund Transfers**

Transferred From	Transferred To					Total
	General Fund	Transportation Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	
General Fund	\$	\$ 84	\$14,638	\$ 1,133	\$ 1,757	\$ 17,612
Transportation Fund			3,554			3,554
Dakota Cement Trust Fund	12,000					12,000
Education Enhancement Trust Fund	14,803					14,803
Non-major Governmental Funds	197,620	4,562	43,264	1,203	81	246,730
Lottery Fund	6,142	19	113,619			119,780
Clean Water State Revolving Fund			33			33
Drinking Water State Revolving Fund			29			29
Non-major Enterprise Funds	7		1,158			1,165
Internal Service Funds	2,020		345			2,365
Total	\$232,592	\$ 4,665	\$176,640	\$2,336	\$1,838	\$418,071

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 2010, \$182,618,000 of State appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

## 6. CAPITAL ASSETS

### A. Primary Government

Capital Assets consisted of the following for fiscal year 2010 (expressed in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets not Being Depreciated:</b>				
Land	\$ 100,406	\$ 5,325	\$ 3,252	\$ 102,479
Land Improvements	6,279			6,279
Land Improvements - Roads	589,010	7,562		596,572
Construction in Progress	212,672	131,113	127,413	216,372
<b>Total Capital Assets Not Being Depreciated</b>	<b>908,367</b>	<b>144,000</b>	<b>130,665</b>	<b>921,702</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	16,018	5,262		21,280
Buildings	361,056	30,268	3,638	387,686
Equipment	147,103	11,590	2,657	156,036
Intangible Assets - Software	41,279	4,267	2,078	43,468
Vehicles	120,593	8,237	4,001	124,829
Infrastructure	3,136,828	129,786	15,742	3,250,872
<b>Total Capital Assets Being Depreciated</b>	<b>3,822,877</b>	<b>189,410</b>	<b>28,116</b>	<b>3,984,171</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	5,698	1,567	729	6,536
Buildings	137,631	11,883	2,085	147,429
Equipment	82,044	10,472	2,847	89,669
Intangible Assets - Software	27,972	5,239	1,004	32,207
Vehicles	69,652	8,655	3,580	74,727
Infrastructure	1,228,842	52,924	10,132	1,271,634
<b>Total Accumulated Depreciation</b>	<b>1,551,839</b>	<b>90,740</b>	<b>20,377</b>	<b>1,622,202</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,271,038</b>	<b>98,670</b>	<b>7,739</b>	<b>2,361,969</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 3,179,405</b>	<b>\$ 242,670</b>	<b>\$ 138,404</b>	<b>\$ 3,283,671</b>

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type Activities</b>				
<b>Capital Assets not Being Depreciated:</b>				
Land	\$ 295	\$	\$	\$ 295
<b>Total Capital Assets Not Being Depreciated</b>	<u>295</u>			<u>295</u>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	1,581	2,961		4,542
Intangible Assets - Software	725			725
<b>Total Capital Assets Being Depreciated</b>	<u>7,238</u>	<u>2,961</u>		<u>10,199</u>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	514	25		539
Buildings	2,838	69		2,907
Equipment	1,196	285		1,481
Intangible Assets - Software	686	18		704
<b>Total Accumulated Depreciation</b>	<u>5,234</u>	<u>397</u>		<u>5,631</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>2,004</u>	<u>2,564</u>		<u>4,568</u>
<b>Total Business-type Activities, Net</b>	<u>\$ 2,299</u>	<u>\$ 2,564</u>	<u>\$</u>	<u>\$ 4,863</u>

Depreciation was charged to the function of government as follows:

	Amount
<b>Governmental Activities</b>	
Unallocated	\$ 58
General Government	9,818
Health and Human Services	2,337
Law, Justice, and Public Protection	7,281
Agriculture and Natural Resources	2,886
Transportation	67,339
Education	924
Economic Resources	97
<b>Total Governmental Activities</b>	<u>\$ 90,740</u>
<b>Business-type Activities</b>	
Enterprise Funds	<u>\$ 397</u>

## B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2010 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
<b>Higher Education:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 13,246	\$ 6,857	\$	\$ 20,103
Construction in Progress	149,018	150,783	85,072	214,729
Works of Art and Historical Treasures	8,050	555		8,605
<b>Total Capital Assets Not Being Depreciated</b>	<b>170,314</b>	<b>158,195</b>	<b>85,072</b>	<b>243,437</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	49,600	4,165		53,765
Buildings	496,682	96,580		593,262
Equipment and Other Assets	201,653	14,724	3,344	213,033
<b>Total Capital Assets Being Depreciated</b>	<b>747,935</b>	<b>115,469</b>	<b>3,344</b>	<b>860,060</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	22,931	1,269		24,200
Buildings	204,943	14,953		219,896
Equipment and Other Assets	148,302	11,662	2,789	157,175
<b>Total Accumulated Depreciation</b>	<b>376,176</b>	<b>27,884</b>	<b>2,789</b>	<b>401,271</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>371,759</b>	<b>87,585</b>	<b>555</b>	<b>458,789</b>
<b>Total Higher Education Capital Assets, Net</b>	<b>542,073</b>	<b>245,780</b>	<b>85,627</b>	<b>702,226</b>
<b>South Dakota Housing Development Authority:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	220			220
<b>Total Capital Assets Not Being Depreciated</b>	<b>220</b>			<b>220</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	1,100	111		1,211
Buildings	4,478	471		4,949
Equipment	3,227	216	85	3,358
<b>Total Capital Assets Being Depreciated</b>	<b>8,805</b>	<b>798</b>	<b>85</b>	<b>9,518</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	317	57		374
Buildings	83	126		209
Equipment and Other Assets	2,187	223	85	2,325
<b>Total Accumulated Depreciation</b>	<b>2,587</b>	<b>406</b>	<b>85</b>	<b>2,908</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,218</b>	<b>392</b>		<b>6,610</b>
<b>Total Housing Authority Capital Assets, Net</b>	<b>6,438</b>	<b>392</b>		<b>6,830</b>
<b>Science and Technology Authority:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	1,534			1,534
Underground Mine	10,749	1,210		11,959
Archive Materials	70			70
Construction in Progress	1,293	3,443	13	4,723
<b>Total Capital Assets Not Being Depreciated</b>	<b>13,646</b>	<b>4,653</b>	<b>13</b>	<b>18,286</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	26,371	3,945	36	30,280
Equipment	4,569	1,659	18	6,210
Vehicles	50	29		79
Infrastructure	573			573
<b>Total Capital Assets Being Depreciated</b>	<b>31,563</b>	<b>5,633</b>	<b>54</b>	<b>37,142</b>
<b>Less: Accumulated Depreciation for:</b>				
Buildings	625	569	3	1,191
Equipment	235	345		580
Vehicles	5	8		13
Infrastructure	12	16		28
<b>Total Accumulated Depreciation</b>	<b>877</b>	<b>938</b>	<b>3</b>	<b>1,812</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>30,686</b>	<b>4,695</b>	<b>51</b>	<b>35,330</b>
<b>Total Science and Technology Authority Capital Assets, Net</b>	<b>44,332</b>	<b>9,348</b>	<b>64</b>	<b>53,616</b>
<b>Total Discretely Presented Component Units, Net</b>	<b>\$ 592,843</b>	<b>\$ 255,520</b>	<b>\$ 85,691</b>	<b>\$ 762,672</b>

### ***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, 2010 are as follow (expressed in thousands):

	<u>Amount</u>
<b>Primary Government</b>	
Governmental Activities	
Land Improvements	\$ 986
Buildings and Structures	50,576
Equipment	530
Intangibles – Computer Software	52,321
Infrastructure	111,959
Total Primary Government	<u>\$ 216,372</u>
<b>Discretely Presented Component Units</b>	
Higher Education	
Land Improvements	\$ 24,622
Buildings and Structures	190,107
Science and Technology Authority	
Buildings and Structures	210
Infrastructure	4,513
Total Discretely Presented Component Units	<u>\$ 219,452</u>

## ***7. RETIREMENT PLANS***

***South Dakota Retirement System, Plan Description:*** The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, hybrid defined benefit plan for employees of the State and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. Authority for establishing, administering, and amending plan provisions is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements, footnote disclosures, and required supplementary information. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the State's financial report as a pension trust fund. Copies of the separately issued financial report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

As of June 30, 2010, the number of participating governmental employers was:

School Districts	170
State of South Dakota	1
Board of Regents	1
Municipalities	147
Counties	64
Boards and Commissions	<u>87</u>
Total Employers	<u>470</u>

The SDRS financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for a pension trust fund. Revenue is recorded when earned and expenses recorded when incurred. Employee and employer contributions are recognized when due pursuant to formal commitment as well as statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2010. Fair values were determined based on closing market prices at June 30, 2010 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Purchases and sales are recorded as of the trade date.



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

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

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

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

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

All participating employers are required to contribute an amount equal to the member's contributions. Members may make an additional contribution of 1.2% of compensation for optional spouse coverage.

Contributions for all participating employers during fiscal year 2010 totaling \$195,261,327 (\$98,347,135 employee and \$96,914,192 employer) were made in accordance with statutory rates. The primary government and its discretely presented component units' share was \$71,403,352 (\$35,717,196 employee and \$35,686,156 employer). These contributions represent 100% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for all participating employers for fiscal years 2009 and 2008 were \$94,244,915 and \$89,766,090 respectively.

SDRS is funded by fixed member and employer contributions at a rate established by state law. On an annual basis, an independent actuarial valuation of SDRS is made to determine the adequacy of the fixed contractually-required contributions to pay the normal cost, expenses and amortize the frozen unfunded actuarial accrued liability. The June 30, 2010 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers under GASB Statement No. 25.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at rates of 5% to 8%. As of June 30, 2010, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2011	\$ 452
2012	333
2013	274
2014	205
2015	14
Later	29
	<hr/> 1,307
Less interest	-
Total	<hr/> <hr/> \$ 1,307

**South Dakota Cement Commission Retirement Plans:** The South Dakota Cement Commission (SDCC) administers the South Dakota Cement Pension Trust Fund. The Fund consists of six defined benefit pension plans that cover all former employees of the State Cement Plant. The plans are noncontributory, single-employer, public employee retirement plans. The plans are actuarially funded, using the entry age normal, level percent of pay, funding method. The plans' funding policies provide for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20-year period.

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

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

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

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2010 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. At June 30, 2010 the fair value of net assets held in trust for pension benefits was \$39,167,240.79.

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

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2010. The following actuarial information covers all employees of the active life plan, plus any cost-of-living increases granted to retired life plan participants after January 1, 1987.

For the fiscal year ended June 30, 2010 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$1,407,433 and \$20,566, respectively. On June 30, 2010 participants in the plan consisted of the following:

Active Participants	36
Vested Terminated Participants	4
Retired Participants and Beneficiaries	216

Investments are carried at fair value to properly reflect asset values at June 30, 2010. Contributions are made by active life plan participants at 5% of their salaries. As of July 1, 2010, the plan is underfunded by \$3.4 million, based on the actuarial assumptions used. The primary reason for this increase is an asset gain of \$2.9 million due to returns more favorable than expected (actual 13.92% vs. 7.5% expected). This gain was offset by a demographic loss of approximately \$0.3 million due to less retiree deaths than expected offset by lower salaries and COLA than expected.

The following table shows the recommended contribution for plan year ending June 30, 2010:

I.	Recommended employer contribution, before test of unfunded liability	
	(a) Total normal cost	\$ 18,994
	(b) Expected employee contributions	(15,413)
	(c) Employer normal cost (a)-(b)	3,581
	(d) 25-year amortization payment toward unfunded actuarial liability	464,455
	(e) Interest to June 30, 2010 on (c)+(d)	35,103
	(f) Recommended employer contribution, before test of unfunded liability: (c)+(d)+(e), but not less than \$0	\$ 503,139
II.	Test of unfunded liability	
	(g) Unfunded actuarial liability	
	(i) Actuarial liability as of July 1, 2009	\$ 54,143,558
	(ii) Actuarial value of assets as of July 1, 2009	(48,578,014)
	(iii) Unfunded actuarial liability: (i)-(ii)	5,565,544
	(h) Interest to June 30, 2010 on (c)+(g)	417,684
	(i) Expected unfunded liability as of June 30, 2010: (c)+(g)+(h), but not less than \$0	5,986,809
III.	Recommended employer contribution: lesser of (f) and (i)	\$ 503,139

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

Fiscal Year Ended 30-Jun	(a) Annual Required Contribution (ARC)	(b) Employer Contribution	(c) Interest on NPO	(d) ARC Adjustment LY (h)/(e)	(e) Amortization Factor	(f) Annual Pension Cost (a)+(c)-(d)	(g) Change in NPO (f)-(b)	(h) NPO Balance LY+(g)
2010	\$503,139	\$0	\$0	\$0	11.147	\$503,139	\$503,139	\$503,139

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

Fiscal Year Ended June 30	Actuarially Net Assets Available For Benefits	Entry Age Normal Assets in Accrued Liability (AAL)	Percent Funded (1)/(2)	Annual Excess of AAL (1)-(2)	Annual Covered Payroll	Assets in Excess Of AAL as a Percent of Covered Payroll (4)/(5)
2001	\$ 56,174	\$ 45,540	123.4%	\$ 10,634	\$ 2,948	360.7%
2002	57,914	46,442	124.7	11,472	2,957	388.0
2003	56,633	47,386	119.5	9,247	2,758	335.3
2004	62,477	48,597	128.6	13,880	2,717	510.8
2005	66,065	49,885	132.4	16,180	2,698	599.8
2006	69,259	52,534	131.8	16,725	2,254	742.1
2007	76,357	53,395	143.0	22,962	2,010	1,142.2
2008	68,209	54,703	124.7	13,506	1,696	796.6
2009	48,578	54,144	89.7	(5,566)	1,631	(341.2)
2010	51,550	54,930	93.8	(3,380)	1,407	(240.2)

## 8. DEFERRED COMPENSATION PLAN

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

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

The assets of the deferred compensation plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

## **9. SPECIAL PAY PLAN**

The Special Pay Plan (SPP) was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the South Dakota Retirement System Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the plan. The plan mandates that qualifying employees (over age 55 and \$600 or more in "special" pay) of participating units defer one hundred percent of their special lump-sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination or upon later retirement, or to beneficiaries or an estate upon the participant's death.

Of the \$19,448,990 net assets available for plan benefits at June 30, 2010, \$11,014,372 was held in trust for employees of the State while the remaining \$8,434,618 represents the assets held in trust for employees of other jurisdictions. The assets of the special pay plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

## **10. OTHER POST EMPLOYMENT BENEFITS**

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

**Plan Description:** In accordance with Administrative Rules 55:03:04 other postemployment benefits (OPEB) are available to health plan retirees that are receiving a retirement benefit from the South Dakota Retirement System. In order to receive an SDRS benefit, the retiree must be at least age 55 with three years of service. Certain Public Safety employees qualify for SDRS at age 45 with three years of service.

Pre-Medicare retirees are eligible to be covered under the same medical plans that are provided to active employees as authorized by SDCL 3-12A-2 until the age of 65. However, retirees must contribute towards the cost of this coverage based on the contribution scale determined by the South Dakota Bureau of Personnel. Dependents at the time of retirement can continue to be covered during retirement for as long as they are eligible as dependents under the plan and contribute towards the cost of the coverage. Although the retirees generally must pay 100% of the premium rate, GASB 45 requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in that plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates an agent multiple defined employer retiree benefit plan which provides medical insurance benefits for retirees. There were 708 retirees as of July 1, 2009. The State has a self-insured health plan with the choice of three different deductibles for the participants to choose from.

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

**Annual OPEB Cost and Net OPEB Obligation:** The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 3.0% discount rate. For year ending June 30, 2010, the state's ARC is \$8,389,683.

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

Annual Required Contribution (ARC)	\$	8,389,683
Interest on Net OPEB Obligation (NOO)		314,565
Amortization Adjustment to ARC		(519,342)
Annual OPEB Cost (Expense)		8,184,906
Contributions		(3,451,962)
Increase in Net OPEB Obligation (NOO)		4,732,944
NOO, Beginning Balance		10,485,515
NOO, Ending	\$	15,218,459

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$9,429,305	37.2%	\$5,924,549
2009	\$7,560,788	39.7%	\$10,485,515
2010	\$8,184,906	42.2%	\$15,218,459

**Funded Status and Funding Progress:** As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$70.5 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll for active employees was \$626.4 million and the ratio of the UAAL to the covered payroll was 11.25%.

**Actuarial Methods and Assumptions:** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumption included a 3.0% discount rate based on the estimated long-term investment yield on the general assets of the State. The annual medical trend rate is assumed to grade from 7.67 percent to 5.0 percent in 2013 and to remain at that level for all future years. This trend curve reflects current general medical trend and an assumption that trend rates will gradually lower over the next 5 years.

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

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

The following is a schedule of funding progress:

<b>Actuarial Valuation</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (ALL)*</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
<b>Date</b>	<b>(a)</b>	<b>(b)</b>	<b>(b) - (a)</b>	<b>(a) / (b)</b>	<b>(c)</b>	<b>[(b) - (a)] / (c)</b>
7/1/2007	\$0	\$76,406,237	\$76,406,237	0%	\$591,271,605	12.92%
7/1/2008	\$0	\$67,080,768	\$67,080,768	0%	\$617,186,072	10.87%
7/1/2009	\$0	\$70,548,028	\$70,548,028	0%	\$626,434,784	11.25%

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

## **11. COMMITMENTS**

**Construction and Other Commitments:** At June 30, 2010 the Department of Transportation had contractual construction commitments of \$289,354,261 for various highway projects and maintenance commitments (including stockpile) of \$8,315,128. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Department of Environment and Natural Resources had construction and other contractual commitments of \$175,048,341 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	\$76,128,338
Drinking Water State Revolving Fund	\$66,288,335
Water and Environment Fund Program	\$24,415,160
Federal Funds	\$ 8,216,508

The Building Authority has contracts and other construction commitments of \$38,510,751.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$62,090,657. Financing for these commitments will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of \$72,233,548. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

### Revolving Economic Development Initiative (REDI) Fund Grants/Loans

Value-Added Agriculture Sub Fund	\$ 345,768
REDI Fund Loans	\$ 10,560,847
SD Economic Development Authority	\$ 325,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	\$ 117,000
Economic Development Finance Authority, Pooled Loans	\$ 17,105,000
Community Development Block Grant (CDBG)	\$ 11,760,313
Future Fund Program	\$ 5,119,104
Energy Program Loans	\$ 2,023,621
Energy Program Grants	\$ 24,876,895

The South Dakota Science and Technology Authority had a contractual commitment of \$1,540,000 for the Homestake Mine for the installation and maintenance of a deep level pump system and had contractual commitments of \$711,750 to install a new decant pipeline from Homestake's property to the Mill Reservoir.

## 12. SELF-INSURANCE

### A. Workers' Compensation Benefits and Unemployment Insurance

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

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$14,630,000 at June 30, 2010. The Workers' Compensation Fund liability at June 30, 2010 and the changes to the liability during fiscal years ended June 30, 2010 and 2009 listed on the following page were as follows (expressed in thousands):

	<u>FY2010</u>	<u>FY2009</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$18,115	\$13,247
Incurring claims and claim adjustment expenses		
Provision for insured events of current fiscal year	3,728	4,123
Changes in provision for insured events of prior fiscal years	673	4,210
Total incurred claims and claim adjustment expenses	<u>4,401</u>	<u>8,333</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	865	1,306
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,483	2,159
Total payments	<u>3,348</u>	<u>3,465</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$19,168</u>	<u>\$18,115</u>



## **B. Health and Life Insurance**

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Fund, reported as an internal service fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of fiscal year 2010, \$725,000 of the net assets balance in the Self-Insurance Fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2010 and the changes to the liability during fiscal years ended June 30, 2010 and 2009 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2010	FY2009	FY2010	FY2009
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 10,387	\$ 10,582	\$ 124	\$ 639
Incurred claims and claim adjustment expenses	91,426	83,457	2,164	2,812
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	80,076	73,070	2,144	2,688
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	10,387	10,582	124	639
Total payments	90,463	83,652	2,268	3,327
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 11,350	\$ 10,387	\$ 20	\$ 124

## **C. Public Entity Pool for Liability**

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

All funds and agencies of the State participate in the PEPL Fund. The PEPL Fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund and agency based on the number of automobiles titled to each agency (for automobile liability) or approved full-time employees (for general tort liability). The PEPL Fund initially limited claims to \$1,000,000 per occurrence, subject to limitations set forth in SDCL 3-22. The State claimed sovereign immunity for all other tort liabilities. A State Supreme Court opinion allows noneconomic damages against employees of the State while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL Fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Beginning in FY2001 through FY2003 the State purchased reinsurance for claims costs over \$250,000 with 100% of the remaining \$750,000. In FY2004 the State purchased reinsurance for claims costs over \$250,000 with 90% of the remaining \$750,000. In FY2005 through FY2010 the State purchased reinsurance for claims costs over \$250,000 with 75% of the remaining \$750,000.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2010, \$7,178,800 of the net assets balance in the PEPL

Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2010 and the changes to the liability during fiscal years ended June 30, 2010 and 2009 were as follows (expressed in thousands):

	<b>FY2010</b>	<b>FY2009</b>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 5,034	\$ 4,070
Incurring claims and claim adjustment expenses		
Provision for insured events of current fiscal year	932	893
Changes in provision for insured events of prior fiscal years	(693)	1,794
Total incurred claims and claim adjustment expenses	239	2,687
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	173	154
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,386	1,569
Total payments	1,559	1,723
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 3,714	\$ 5,034

#### ***D. Risk Management***

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

### **13. OPERATING LEASES**

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

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2010 (expressed in thousands):

<b>Year Ending</b>	<b>Primary</b>	<b>Component</b>
<b>June 30,</b>	<b>Government</b>	<b>Units</b>
2011	\$ 6,586	\$ 1,813
2012	5,788	878
2013	4,482	704
2014	3,486	213
2015	2,519	153
2016-2020	6,517	184
2021-2025	2,565	-
2026-2030	1,885	-
2031-2035	1,018	-
2036-2040	14	-
Total Minimum Payments	\$ 34,860	\$ 3,945

The total rental expenses for all operating leases for the fiscal year ended June 30, 2010 was \$10,146,014 for the primary government and \$5,975,479 for component units.

## 14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2010 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Revenue Bonds	\$ 282,245	\$ 0	\$ (20,420)	\$ 261,825	\$ 8,465
Less Unamortized Discount	(2,049)		92	(1,957)	(5)
Less Deferred Loss on Refunding	(800)		207	(593)	(198)
Add Unamortized Premium	1,105		(211)	894	211
Net Revenue Bonds	280,501	0	(20,332)	260,169	8,473
Trust Certificates	24,435	0	(2,540)	21,895	2,645
Compensated Absences	49,659	33,059	(32,937)	49,781	26,260
Policy Claims Liability	5,033	239	(1,559)	3,713	1,062
Workers Compensation	18,340	4,401	(3,397)	19,344	1,778
Capital Leases	29,632	1,525	(6,148)	25,009	4,801
Pollution Remediation Obligation	10,950	0	(1,971)	8,979	1,196
Escheat Property	3,067	1,245	(2,152)	2,160	567
Net OPEB Obligation	6,816	5,238	(2,314)	9,740	0
<b>Total Governmental Activities</b>	<b>\$ 428,433</b>	<b>\$ 45,707</b>	<b>\$ (73,350)</b>	<b>\$ 400,790</b>	<b>\$ 46,782</b>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 129,965	\$ 0	\$ (4,635)	\$ 125,330	\$ 6,160
Less Unamortized Discount	(88)		9	(79)	(9)
Less Deferred Loss on Refunding	(711)		167	(544)	(167)
Add Unamortized Premium	1,931		(129)	1,802	129
Net Revenue Bonds	131,097	0	(4,588)	126,509	6,113
Compensated Absences	1,184	735	(740)	1,179	627
<b>Total Business-type Activities</b>	<b>\$ 132,281</b>	<b>\$ 735</b>	<b>\$ (5,328)</b>	<b>\$ 127,688</b>	<b>\$ 6,740</b>
<b>Component Units</b>					
Revenue Bonds	\$ 2,364,486	\$ 384,685	\$ (336,598)	\$ 2,412,573	\$ 191,852
Less Deferred Loss on Refunding	(3,877)	162	855	(2,860)	(344)
Less Unamortized Discount	(314)		303	(11)	(11)
Add Unamortized Premium	20,364	318	(3,949)	16,733	1,777
Net Revenue Bonds	2,380,659	385,165	(339,389)	2,426,435	193,274
Compensated Absences	37,262	11,799	(11,460)	37,601	10,697
Capital Leases	2,121	3,657	(2,329)	3,449	1,769
Rural Development Loans	4,409	217	(188)	4,438	
Federal Portion of Perkins Loan Program	36,317	756		37,073	
Net OPEB Obligation	3,670	2,947	(1,138)	5,479	
Other Liabilities	763		(763)	0	
<b>Total Component Units</b>	<b>\$ 2,465,201</b>	<b>\$ 404,541</b>	<b>\$ (355,267)</b>	<b>\$ 2,514,475</b>	<b>\$ 205,740</b>

## **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, 2010 (expressed in thousands):

<b>Bond Series:</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
1996A	2016	5.800%-5.950%	\$ 6,327
1999	2019	4.500%-5.125%	831
2003	2015	4.000%-5.000%	516
2005B	2026	3.250%-5.000%	7,030
2006A	2026	4.250%-5.000%	11,878
2006B	2013	4.250%-5.000%	17,570
2006C	2013	5.550%	885
2007	2032	4.250%-5.000%	5,270
2008	2033	4.000%-5.000%	2,035
Add Unamortized Premium			894
Less Unamortized Discount			(52)
Less Deferred Loss on Refunding			(593)
Total Bonds			52,591
Trust Certificate Series:			
1991 (A&B)	2016	6.625%-6.750%	4,565
1993 (A&B)	2017	6.625%-6.700%	17,330
Total Trust Certificates			21,895
<b>Total</b>			<b>\$ 74,486</b>

As of June 30, 2010, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 11,112	\$ 3,398	\$ 14,510
2012	10,943	2,811	13,754
2013	10,408	2,239	12,647
2014	6,617	4,935	11,552
2015	6,038	4,806	10,844
2016-2020	17,659	10,204	27,863
2021-2025	8,125	1,875	10,000
2026-2030	3,335	186	3,521
<b>Total</b>	<b>\$ 74,237</b>	<b>\$ 30,454</b>	<b>\$ 104,691</b>

## **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, 2010 (expressed in thousands):

<b>Bond Series:</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
2002A	2025	6.72%	\$ 79,943
2002B	2032	6.50%	129,540
Less Unamortized Discount			(1,906)
<b>Total</b>			<u><u>\$ 207,577</u></u>

As of June 30, 2010, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$	\$ 13,792	\$ 13,792
2012		13,792	13,792
2013		13,792	13,792
2014		13,792	13,792
2015		13,792	13,792
2016-2020	25,703	67,063	92,766
2021-2025	54,240	53,584	107,824
2026-2030	85,720	31,753	117,473
2031-2032	43,820	4,323	48,143
<b>Total</b>	<u><u>\$ 209,483</u></u>	<u><u>\$ 225,683</u></u>	<u><u>\$ 435,166</u></u>

## **B. Business-type Activities**

### **South Dakota Conservancy District - State Revolving Funds**

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

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of \$3.9 million and \$2.8 million, respectively.

The following is a schedule of outstanding bonds as of June 30, 2010 (expressed in thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Clean Water State Revolving Fund</b>			
1996A	2017	5.63%	\$ 100
2001	2022	4.00%-5.00%	3,275
2004	2017	2.50%-5.25%	5,990
2005	2026	3.25%-5.00%	37,210
2008	2029	2.35%	21,960
Less Unamortized Deferred Loss on Refunding			(543)
Less Unamortized Discount			(19)
Add Unamortized Premium			1,073
<b>Total</b>			<b>69,046</b>
<b>Drinking Water State Revolving Fund</b>			
1998A	2019	4.50%-5.00%	3,950
2001	2022	4.00%-5.00%	3,930
2004	2025	3.00%-5.25%	23,295
2005	2026	3.25%-5.00%	7,580
2008	2029	2.35%	18,040
Less Unamortized Discount			(60)
Add Unamortized Premium			730
<b>Total</b>			<b>57,465</b>
<b>Total Revenue Bonds</b>			<b>\$ 126,511</b>

As of June 30, 2010, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Clean Water State Revolving Fund</b>			
2011	\$ 3,665	\$ 2,914	\$ 6,579
2012	3,800	2,772	6,572
2013	3,970	2,620	6,590
2014	3,405	2,474	5,879
2015	3,550	2,332	5,882
2016-2020	17,395	9,386	26,781
2021-2025	19,635	5,201	24,836
2026-2030	13,115	1,045	14,160
<b>Total</b>	<b>68,535</b>	<b>28,744</b>	<b>97,279</b>
<b>Drinking Water State Revolving Fund</b>			
2011	2,495	2,534	5,029
2012	2,595	2,432	5,027
2013	2,720	2,322	5,042
2014	2,830	2,206	5,036
2015	2,945	2,084	5,029
2016-2020	16,715	8,222	24,937
2021-2025	17,400	4,076	21,476
2026-2030	9,095	725	9,820
<b>Total</b>	<b>56,795</b>	<b>24,601</b>	<b>81,396</b>
<b>Total</b>	<b>\$ 125,330</b>	<b>\$ 53,345</b>	<b>\$ 178,675</b>

## **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, 2010 (expressed in thousands):

	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Home-Ownership Mortgage Program</b>			
	2011-2045	.25%-6.25%	
Serial Bonds			\$ 423,310
Term Bonds			1,273,581
Add Unamortized Premium			11,327
Less Deferred Loss on Refunding			(940)
Total			<u>1,707,278</u>
<b>Single Family Mortgage Revenue Bonds</b>			
<b>Term Bonds</b>	2011-2041	1.00%-4.24%	<u>233,100</u>
<b>Multifamily Housing Trust Funds</b>			
	2011-2048	.39%-5.15%	
Serial Bonds			9,805
Term Bonds			35,575
Less Deferred Loss on Refunding			(702)
Total			<u>44,678</u>
<b>Multifamily Housing Revenue Bonds</b>			
Serial Bonds	2011-2044	.29%-6.15%	3,081
Term Bonds			<u>26,625</u>
Total			<u>29,706</u>
<b>Multifamily Mortgage Pass-Through Term Bonds</b>			
	2011-2017	3.75%-7.50%	<u>9,887</u>
<b>Multifamily Risk Sharing Bonds</b>			
	2011-2043	4.25%-5.85%	
Serial Bonds			70
Term Bonds			<u>13,300</u>
Total			<u>13,370</u>
<b>Total Bonds</b>			<u><u>\$ 2,038,019</u></u>

As of June 30, 2010, debt service requirements for principal and interest for the SDHDA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2011	\$ 178,428	\$ 79,328	\$ 257,756
2012	49,672	76,830	126,502
2013	54,172	74,953	129,125
2014	53,041	72,816	125,857
2015	55,865	70,495	126,360
2016-2020	265,600	315,699	581,299
2021-2025	252,182	252,820	505,002
2026-2030	265,279	190,015	455,294
2031-2035	528,429	110,769	639,198
2036-2040	208,385	24,884	233,269
2041-2045	114,811	8,304	123,115
2046-2050	2,470	50	2,520
Total	<u>\$ 2,028,334</u>	<u>\$ 1,276,963</u>	<u>\$ 3,305,297</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 monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2010, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$2,863,125.

The following is a schedule of outstanding bonds as of June 30, 2010 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A&B	2018	5.50%	\$ 595
2003A	2013	5.00%-5.25%	905
2004A	2011-2029	4.375%-6.00%	4,345
2004B	2011-2024	4.375%-5.95%	2,875
2005A	2016-2026	5.25%-6.05%	4,285
2008	2015-2028	4.20%-5.875%	7,150
2009A&B	2016-2019	3.20%-5.00%	2,750
<b>Total</b>			<u>\$ 22,905</u>

As of June 30, 2010, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2011	\$ 1,255	\$ 1,273	\$ 2,528
2012	1,325	1,218	2,543
2013	1,385	1,156	2,541
2014	1,105	1,089	2,194
2015	1,165	1,036	2,201
2016-2020	6,285	4,159	10,444
2021-2025	6,260	2,375	8,635
2026-2029	4,125	537	4,662
<b>Total</b>	<u>\$ 22,905</u>	<u>\$ 12,843</u>	<u>\$ 35,748</u>



### 3. Higher Education

#### a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2010 equaled \$15,912,978.

Following are revenue bonds outstanding at June 30, 2010 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
School of Mines and Technology			
2003	2033	2.350%-5.300%	\$ 6,950
2008B	2028	4.550%	3,995
2009	2039	2.150%-6.250%	10,140
Less Unamortized Discount			(25)
University of South Dakota			
2003	2028	2.500%-5.000%	13,140
2005	2030	4.000%-5.000%	11,765
2009	2039	2.150%-6.250%	44,475
Less Unamortized Discount			(200)
Add Unamortized Premium			182
South Dakota State University			
2004	2024	2.500%-5.000%	23,835
2005A	2030	4.000%-5.000%	2,685
2006	2060	3.920%	6,865
2009	2039	2.150%-6.250%	33,390
Less Deferred Loss on Refunding			(523)
Less Unamortized Discount			(75)
Add Unamortized Premium			913
Northern State University			
2004A	2029	3.000%-5.000%	5,400
2008B	2028	4.550%	1,060
2009	2039	2.150%-6.250%	1,395
Less Deferred Loss on Refunding			(83)
Less Unamortized Discount			(3)
Add Unamortized Premium			142
Dakota State University			
2004	2025	3.000%-5.000%	2,670
2007	2029	3.760%	375
2008	2028	3.760%	4,435
Less Deferred Loss on Refunding			(111)
Add Unamortized Premium			94
Black Hills State University			
2004	2023	4.000%	3,930
2004A	2026	3.000%-5.000%	2,835
2006	2026	3.920%	1,125
2007	2029	3.880%	7,875
Less Deferred Loss on Refunding			(79)
Add Unamortized Premium			87
<b>Total</b>			<b>\$ 188,659</b>

As of June 30, 2010, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2011	\$ 5,840	\$ 8,419	\$ 14,259
2012	6,705	8,230	14,935
2013	7,100	8,010	15,110
2014	7,260	7,757	15,017
2015	7,390	7,483	14,873
2016-2020	42,025	32,237	74,262
2021-2025	46,465	22,107	68,572
2026-2030	36,765	11,974	48,739
2031-2035	22,080	4,253	26,333
2036-2040	6,710	695	7,405
<b>Total</b>	<b>\$ 188,340</b>	<b>\$ 111,165</b>	<b>\$ 299,505</b>

**b. South Dakota Building Authority (Higher Education Portion)**

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

Following is a schedule of bonds outstanding at June 30, 2010 (expressed in thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Revenue Bonds</b>			
1999	2019	4.500%-5.125%	244
2000	2010	6.150%-6.500%	220
2002	2026	4.400%-5.750%	4,025
2003	2015	4.000%-5.000%	5,939
2003A	2028	3.000%-5.000%	13,810
2005C	2029	3.500%-5.000%	16,305
2006A	2026	4.250%-5.000%	3,202
2007	2032	4.250%-5.000%	46,395
2008	2033	4.000%-5.000%	69,690
2009	2034	2.650%-6.760%	13,165
Less Deferred Loss on Refunding			(545)
Add Unamortized Premium			2,580
<b>Total Revenue Bonds</b>			<b>\$ 175,030</b>

As of June 30, 2010, debt service requirements for principal and interest for the Building Authority (Higher Education portion) were as follows (expressed in thousands):

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 7,470	\$ 8,135	\$ 15,605
2012	7,135	7,815	14,950
2013	7,017	7,502	14,519
2014	6,758	7,212	13,970
2015	6,628	6,911	13,539
2016-2020	35,152	29,796	64,948
2021-2025	39,415	21,135	60,550
2026-2030	41,300	11,597	52,897
2031-2035	22,120	2,336	24,456
<b>Total</b>	<b>\$ 172,995</b>	<b>\$ 102,439</b>	<b>\$ 275,434</b>

**Capital Leases**

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

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

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2010 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government	
	Governmental Activities	Component Units
2011	\$ 6,322	1,978
2012	5,074	1,378
2013	3,431	287
2014	2,034	130
2015	1,515	0
2016-2020	7,544	0
2021-2025	5,952	0
2026-2030	0	0
Total Minimum Lease Payments	31,872	3,773
Less: Amount Representing Interest	6,863	324
Present Value of Net Minimum Lease Payments	\$ 25,009	\$ 3,449

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, 2010 are as follows (expressed in thousands):

	Primary Government
	Governmental
	Activities
Buildings	\$ 59,007
Equipment	2,163
Vehicles	13,693
Total	74,863
Less Accumulated Depreciation	22,551
Total, Net	\$ 52,312

### **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, 2010, there were 219 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2010 could not be determined; however, the original issue amount totaled \$29,245,341.

As of June 30, 2010, there were 6 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2010 could not be determined; however, the original issue amount totaled \$18,439,525.

As of June 30, 2010, there were 20 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2010 could not be determined; however, the original issue amount totaled \$9,609,765.

As of June 30, 2010, there were 17 Agribusiness Relending Loans outstanding. The original issue amount totaled \$1,515,900, and the aggregate principal amount outstanding at June 30, 2010 was \$841,333.

## ***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, 2010, the aggregate amount of stand-alone bond principal outstanding was \$24,871,853. The original issue amount of stand-alone bonds totaled \$30,870,000.

### ***Refunded Bonds***

The Building Authority has defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2010, \$11,630,000 of the Building Authority bonds outstanding is considered defeased.

### ***Pollution Remediation Obligations***

The state of South Dakota has pollutions remediation obligation liabilities as of June 30, 2010 of \$8.98 million.

#### ***1. Gilt Edge Superfund Site***

The state of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Brohm Mine, the Gilt Edge Superfund Site in Lawrence County. The EPA's current estimate of total cleanup cost is \$105 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site or \$10.5 million. The State has already spent approximately \$5.52 million with a remaining outstanding liability as of June 30, 2010 of \$4.98 million. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.93 million, but will grow with future penalties collected for environmental violations deposited into the fund and interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site and use the reclamation bond to pay 100% of the ongoing water treatment costs. The State had a cash balance of approximately \$7.01 million as of June 30, 2010 from the cash reclamation bond deposited by Brohm. However, actual costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

#### ***2. Petroleum Release Compensation Fund***

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. This fund and the requirement that the State provide reimbursement was established under SDCL 34A-13 and 34A-14. As of June 30, 2010, PRCF was currently involved with 83 active cases, 52 active/monitoring cases, and 3 pending cases (spill report not yet filed), for a total of 138 cases. The cost remaining for sites that have received at least one payment is \$1,200,000, the cost for sites that haven't received any payments is \$2,200,000 and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2010 for this program is \$4,000,000.

### ***Other Obligations***

#### ***1. Short Term Obligations***

During the year ended June 30, 2010, the Unemployment Insurance Fund borrowed \$24,088,989 from the Federal Government to make unemployment benefit payments. All borrowings were repaid as of year-end.

#### ***2. Bond Anticipation Notes – Clean Water and Drinking Water State Revolving Funds***

Bond Anticipation Notes (BANS) with a total par amount of \$55 million (\$37M Clean Water, \$18M Drinking Water) were issued with a closing date of 8/26/2009. They were sold at a total premium of \$807,400 (\$543,160 Clean Water, \$264,240 Drinking Water) making the total BANS proceeds \$55,807,400 (\$37,543,160 Clean Water, \$18,264,240 Drinking Water). The maturity date on the BANS was 9/30/2010 with an interest rate of 2.0% for both Clean Water and Drinking Water.

## 15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented in natural classifications. The following table presents those same expenses in functional classifications as of June 30, 2010 as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation	Total
Instruction	\$149,408	\$2,466	\$12,727	\$ 7,522	\$ 735	\$ 145	\$ 2,556	\$175,559
Research	45,433	2,846	19,814	7,094	17,200		3,863	96,250
Public Service	26,929	1,403	5,158	3,694	1,875		184	39,243
Academic Support	35,284	748	5,244	8,718	90		1,371	51,455
Student Services	24,196	5,043	6,126	4,251	797		366	40,779
Institutional Support	34,461	839	14,156	2,284	630	770	7,776	60,916
O&M of Plant	14,868	173	8,935	13,519	218		8,895	46,608
Scholarships and Fellowships	1,104	18	34	155	28,779	74	0	30,164
Auxiliary Enterprises	11,212	117	23,121	14,501	118		1,267	50,336
Other						92	1,602	1,694
<b>Total</b>	<b>\$342,895</b>	<b>\$13,653</b>	<b>\$95,315</b>	<b>\$61,738</b>	<b>\$50,442</b>	<b>\$1,081</b>	<b>\$27,880</b>	<b>\$593,004</b>

## 16. FUND BALANCES AND NET ASSETS

### Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$1.0 billion of restricted net assets for the primary government of which \$123.7 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 reserved in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide Statement of Net Assets the principal balance is shown as unexpendable and the investment earnings remaining in these funds at June 30, 2010 is shown as expendable.

- Dakota Cement Trust Fund.** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions."
- Education Enhancement Trust Fund.** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature."

- **Health Care Trust Fund.** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature."
- **Permanent Fund.** This fund is administered by the Department 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, 2010 are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Dakota Cement Trust	\$ 0	\$ 210,981	\$ 210,981
Education Enhancement Trust	0	326,279	326,279
Health Care Trust	4,062	85,631	89,693
Permanent	614	25,726	26,340
<b>Total</b>	<b>\$ 4,676</b>	<b>\$ 648,617</b>	<b>\$ 653,293</b>

### **Individual Fund Deficits**

The following individual funds had deficit fund equity at June 30, 2010 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$14,629
Special Revenue:	
Fire Suppression	356
Public Safety – Other	7,764
Enterprise:	
Banking Special Revenue Fund	266

## **17. VOCATIONAL TECHNICAL INSTITUTES**

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2010, the State provided \$18,527,000 in General Fund state aid payments to the technical institutes.

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

The State enters into lease purchase agreements with the Health and Educational Facilities Authority and sub-leases the facilities to the school districts. The State makes lease payments to the Health and Educational Facilities Authority from a combination of General Fund appropriations, interest earnings from a special revenue fund and from student facility fees collected by the technical institutes and remitted to the State. Upon completion of payments under the lease agreements, titles to the facilities pass to the State. The sub-lease agreements with the school districts are then extended annually as long as the school districts pay the State \$100 per year and continue to use the facilities for postsecondary vocational education. Facilities constructed or renovated and the lease purchase agreements between the State and the Health and Educational Facilities Authority are reported under the governmental activities column in the government-wide Statement of Net Assets.

## **18. RELATED PARTY TRANSACTIONS**

The Sanford Research/University of South Dakota (USD) was created by the Sioux Valley (Sanford) Health Care Systems and the USD School of Medicine to facilitate medical research and technology transfer. USD is a part of Higher Education and is a component unit of the State of South Dakota. The University of South Dakota subcontracted research awards totaling \$3,635,092.34 to Sanford Research/USD. The research conducted included areas of prenatal alcohol in sudden infant death syndrome, breast cancer cells project, and the Center for Health Research with Tribes in South Dakota, Montana and Wyoming. The funding sources were the US Department of Health and Human Services for \$3,026,775 and the remaining was funded from the SD Governor's Research and Commercialization Council.

The South Dakota Railroad Board (SDRB) has a loan program which enables the Regional Railroad Authority's to rehab rail lines. In FY10 Sioux Valley Regional Railroad Authority (SVRRA) applied for and was approved for a loan from the SDRB. The loan was to rehab a section of rail between Canton and Elk Point, SD. The SVRRA has tax levying power and was created by D&I Railroad Co. SVRRA passed the loan funds onto D & I Railroad Co who is the operator. A SDRB member is also the president of D & I Railroad Co. Funding for the loan came from the Department of Transportation Railroad Trust fund and a total of \$5,396,622.00 was awarded to Sioux Valley Regional Railroad Authority in FY10.

The South Dakota Development Corporation (SDDC) was created under the South Dakota Nonprofit Corporation Act with the Secretary of State's office. The SDDC is a South Dakota non-profit corporation and a Certified Development Company created for the purpose of administering the U.S. Small Business Administration's (SBA) 503/504 loan programs and the Microloan Program. The Microloan Program was formed as a partnership between Citibank (South Dakota) N.A., the SDDC and The South Dakota Department of Tourism and State Development (SDDTSD). Citibank is no longer a part of this partnership. The SDDTSD has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. The SDDTSD provides these services out of SDDTSD funds. The SDDTSD grants are provided to SDDC to be used for loans to businesses in South Dakota. The purpose of the SBA's 503/504 loan program and the Microloan program, is to help facilitate economic development and the creation of jobs in South Dakota. These loans are used to assist companies either operating in the state or moving to the State. Businesses use the loan funds to expand their operations, improve their facilities, or set up operations in South Dakota. There were twenty one 503/504 loans awarded during FY10 totaling \$9,462,045.80. Funding for these loans came from the SBA. In addition, the SDDTSD's Revolving Economic and Development Initiative fund board has loaned out \$972,468.43 as of 6/30/10 for the Microloan Program loans.

## **19. CONTINGENCIES AND LITIGATION**

The State of South Dakota is party to numerous legal proceedings, many of which occur in the normal course of governmental operation. Adverse judgment of these lawsuits could result in liabilities to the State. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the State. The contingent liabilities at June 30, 2010 are as follows:

**Midwest Railcar v. South Dakota Department of Revenue and Regulation.** Midwest Railcar has requested an administrative hearing concerning a Certificate of Assessment issued on January 31, 2007. Midwest Railcar also completed self-audit worksheets and is requesting a refund in the amount of \$1,052,096.10 along with any interest pursuant to SDCL 10-59-24. Midwest contends that the Railroad Revitalization and Regulatory Reform Act prohibits the Department from imposing use tax on it. On October 9, 2008, Midwest Railcar filed a complaint for declaratory relief in the United States District Court for the District of South Dakota, Southern Division. Midwest Railcar Repair, Inc. asserts that the Department is violating the 4-R Act by assessing sales and use tax against Midwest Railcar while airplane repair companies in South Dakota have an exemption from the same tax pursuant to SDCL 10-29-18. On June 23, 2010, the district court granted the Department's Motion for Summary Judgment. Midwest Railcar appealed to the United States Eighth Circuit Court of Appeals. After both sides filed their respective briefs, oral arguments were heard on February 16, 2011. The Department of Revenue and Regulation is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

**Davis et al. v. State of South Dakota et al.** In June of 2006, Plaintiffs sued the State, the Governor, the Department of Education, the Board of Education and the Treasurer, in Circuit Court, Hughes County, claiming that the education being provided to South Dakota students in public K-12 schools is inadequate and therefore violates the South Dakota Constitution. The lawsuit is based on an "adequacy study" paid for by various education groups which claims that public K-12 education in South Dakota is under funded by approximately \$100 million to \$400 million per year. The Attorney General's Office has

represented the Defendants since the lawsuit was filed. A court trial was held and on April 7, 2009, the trial court entered a preliminary ruling in favor of the State on all counts. The trial court previously ruled that it cannot order the Legislature to appropriate more money to education. A final circuit court decision was issued on June 9, 2009. An appeal to the Supreme Court was filed and argument was held January 11, 2011. Counsel for the State is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

**Yankton Sioux Tribe v. United States Army Corps of Engineers.** In this case, pending since 2002, the Tribe is alleging that lands already transferred to the State of South Dakota under Title VI are invalid and should be set aside and any further transfers prohibited because the lands are within the existing boundaries of the Yankton Sioux Reservation. The probable worth of the lands and the improvements already transferred exceeds \$1,000,000. In March of 2008 the District Court granted Summary Judgment in favor of the State and Army Corps of Engineers. The Eighth Circuit affirmed the district court on June 2, 2010. The Tribe has filed a Petition for Writ of Certiorari, asking the Supreme Court to review this decision. The Court will determine whether to grant that request by late June of 2011. If the Court grants review, and if the ultimate decision is unfavorable to the state, it could have a material impact on the State's assets recorded in the Government Wide Financial Statements – Statement of Net Assets.

**Storebeck & Geib Cattle Co. v. State of South Dakota et al.** Storebeck & Geib Cattle Co. brought a regulatory takings action against the State of South Dakota, Kingsbury County, and Kingbrook Rural Water System through a complaint dated July 25, 2007, filed in Circuit Court, Third Judicial Circuit, Kingsbury County. The action arises out of the closure of Plaintiff's cattle feeding operation. The Complaint does not disclose the sum of money sought. Based on discovery conducted to date, it is expected that the claim will be in excess of \$1,000,000. The action is in the discovery phase. Counsel for the State is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

**Morris, Inc. v. State of South Dakota, by and through the State Department of Transportation.** Morris, Inc. sued the Department regarding an alleged breach of contract involving a 2005 asphalt paving project on US Highway 83. The action was filed in Circuit Court, Stanley County. On September 13, 2010, following a court trial, the court entered final judgment against the Department and awarded Morris \$2,320,160.77 in damages, prejudgment interest and disbursements. The Department has appealed from the judgment to the South Dakota Supreme Court where briefs are pending. Counsel for the Department is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State Highway Fund.

**Darley International, LLC v. South Dakota International Business Institute and Hanul Professional Law Corp.** Darley International brought an arbitration action against a Korean law firm and the South Dakota International Business Institute, which at that time was part of Northern State University under the control of the South Dakota Board of Regents. The arbitration action is brought in the State of California and involves contract and tort claims arising from an overseas investor recruitment agreement between the plaintiff and the Korean law firm involving activities conducted by the South Dakota International Business Institute. Darley claims damages exceeding \$1,000,000. The matter is now scheduled for arbitration to take place in July 2011. The matter is being vigorously defended. In the opinion of Counsel defending the action, the risk of a reportable unfavorable outcome appears low as the claim of damages is speculative and the underlying claims are uncertain. If the decision is unfavorable, it could have a material impact on the State's General Fund and/or Higher Education, a discretely presented component unit of the State.

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

**Client Network Services, Inc. v. State of South Dakota et. al.** On December 16, 2010, Client Network Services, Inc. (CNSI) sued the State of South Dakota and the South Dakota Department of Social Services in state circuit court, Hughes County regarding a contract for a large-scale project called SDMEX to replace the State's legacy Medicaid Management Information System. The claims against the State Defendants are for breach of contract and unjust enrichment, and the



requested damages are approximately \$13,200,000. On January 21, 2011, the State Defendants filed an answer denying liability and a counterclaim against CNSI for approximately \$32,400,000 for breach of contract. Litigation is in its initial stages. The Attorney General's Office is counsel for all State Defendants. Counsel for State Defendants are vigorously defending and pursuing the counter claims. At this time, counsel for State Defendants are not in the position to give any opinion regarding the risk of an unfavorable outcome or the potential financial impact (positive or negative) of any final judgment on the State's financial statement. If the decision is unfavorable, it could have a material impact on the State's General Fund.

## ***20. SUBSEQUENT EVENTS***

### ***Housing Authority***

In October of 2010, the Housing Authority issued \$30,000,000 of Single Family Mortgage Bonds 2010 Series 2 and converted \$45,000,000 of Single Family Mortgage Bonds 2009 Series 1.

### ***Building Authority***

In September of 2010, the Building Authority issued the Series 2010A Taxable Revenue (Build America Bonds) bonds in the amount of \$11,400,000 to finance the renovation and infrastructure costs at Northern State University, Dakota State University and Black Hills State University.

In September of 2010, the Building Authority issued the Series 2010B Taxable Revenue (Recovery Zone Economic Development Bonds) bonds in the amount of \$14,600,000 to finance a portion of the construction for a new dietary facility on the State's Human Services Center campus in Yankton and a portion of the construction of a new classroom building at the University Center in Sioux Falls.

In September of 2010, the Building Authority issued the Series 2010C Taxable bonds in the amount of \$3,875,000 to fund a portion of the cost of infrastructure improvements at Custer State Park.

In September of 2010, the Building Authority issued the Series 2010D Revenue Refunding bonds in the amount of \$1,065,000 to refund the remaining Series 1999 bonds.

### ***Vocational Education Program***

In July of 2010, the Health and Educational Facilities Authority issued the Vocational Education Program Series 2010A bonds in the amount of \$17,135,000 and Series 2010B bonds in the amount of \$6,455,000.

In November of 2010, the Health and Educational Facilities Authority issued the Vocational Education Program Series 2010C bonds in the amount of \$12,605,000.

### ***Department of Environment and Natural Resources***

In September of 2010 the Department issued \$54,330,000 in State Revolving Fund Program Bond Anticipation Notes Series 2010. Proceeds of the Series 2010 Bond Anticipation Notes, together with other available funds, were used to pay the redemption price of the \$37 million Clean Water State Revolving Fund 2009 Bond Anticipation Notes and the \$18 million Drinking Water State Revolving Fund 2009 Bond Anticipation Notes.

In December of 2010 the Department issued \$92,380,000 of Series 2010 Bonds to refinance prior SRF bond debt incurred by the Department. The refinancing involved \$54,330,000 of Series 2010 Bond Anticipation Notes, \$3,635,000 of Bonds issued in 1998, and \$38,625,000 of Bonds issued in 2008. The 2010 bonds consisted of \$38,695,000 of Taxable Revenue Bonds (Series 2010A) and \$53,685,000 of Tax-exempt Revenue Bonds (Series 2010B). The taxable bonds were Build America Bonds (BABs) - taxable bonds for which the bondholder may receive a tax credit or the issuer may receive a direct subsidy of 35% of the interest payable which were created under the American Recovery and Reinvestment Act of 2009. The District elected to receive the direct subsidy for its BABs. The BABs series had an all-in true interest cost of 3.414 percent, and the tax-exempt series had an all-in true interest cost of 3.610 percent.

### ***Value Added Finance Authority***

In August of 2010, the Value Added Finance Authority issued Beginning Farmers Bonds in the amount of \$378,000.

In December of 2010, the Value Added Finance Authority issued Beginning Farmers Bonds in the amount of \$126,000 and Agribusiness Bonds in the amount of \$557,975.



## ***REQUIRED SUPPLEMENTARY INFORMATION***

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

***Budgetary Comparison Schedule – General Fund***

***Budgetary Comparison Schedule – Transportation Fund***

***Budgetary Comparison Schedule – Social Services Federal Fund***

***Budgetary Comparison Schedule Budget-to-GAAP Reconciliation***

***Notes to Required Supplementary Information – Budgetary Reporting***

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with
	Original	Final		Final Budget
DEPARTMENT OF EXECUTIVE MANAGEMENT				
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,786	\$ 1,786	\$ 1,782	\$ 4
Operating Expenses	539	539	539	0
TOTAL	2,325	2,325	2,321	4
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	100	100	0
TOTAL	100	100	100	0
LIEUTENANT GOVERNOR				
Personal Services	19	19	19	0
Operating Expenses	14	14	14	0
TOTAL	33	33	33	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	607	607	607	0
Operating Expenses	271	271	271	0
TOTAL	878	878	878	0
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	7,884	7,884	7,884	0
TOTAL	7,884	7,884	7,884	0
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	736	736	672	64
TOTAL	736	736	672	64
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	580	580	580	0
TOTAL	580	580	580	0
CENTRAL SERVICES				
Personal Services	169	137	137	0
Operating Expenses	235	267	267	0
TOTAL	404	404	404	0
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	0	0	0	0
Operating Expenses	7,263	7,263	4,649	2,614
TOTAL	7,263	7,263	4,649	2,614
OFFICE OF HEARING EXAMINERS				
Personal Services	244	209	209	0
Operating Expenses	86	122	122	0
TOTAL	330	331	331	0
PEPL FUND ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	0	945	945	0
TOTAL	0	945	945	0

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	\$ 2,633	\$ 2,633	\$ 2,633	\$ 0
Operating Expenses	1,383	1,383	1,383	0
TOTAL	4,016	4,016	4,016	0
STATE RADIO ENGINEERING				
Personal Services	567	567	567	0
Operating Expenses	1,167	1,167	1,167	0
TOTAL	1,734	1,734	1,734	0
PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS				
Personal Services	192	192	192	0
Operating Expenses	67	67	67	0
TOTAL	259	259	259	0
SOUTH DAKOTA RISK POOL				
Personal Services	85	78	78	0
Operating Expenses	625	632	632	0
TOTAL	710	710	710	0
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	6,302	6,228	6,224	4
Operating Expenses	20,950	21,970	19,292	2,678
TOTAL	27,252	28,198	25,516	2,682
DEPARTMENT OF REVENUE AND REGULATION SECRETARIAT				
Personal Services	112	112	112	0
Operating Expenses	247	210	163	47
TOTAL	359	322	275	47
PROPERTY AND SPECIAL TAXES				
Personal Services	779	779	766	13
Operating Expenses	864	901	754	147
TOTAL	1,643	1,680	1,520	160
DEPARTMENT TOTAL, REVENUE AND REGULATION				
Personal Services	891	891	878	13
Operating Expenses	1,111	1,111	917	194
TOTAL	2,002	2,002	1,795	207
DEPARTMENT OF AGRICULTURE ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	689	592	592	0
Operating Expenses	146	200	200	0
TOTAL	835	792	792	0
AGRICULTURAL SERVICES				
Personal Services	1,208	1,222	1,222	0
Operating Expenses	762	1,943	1,943	0
TOTAL	1,970	3,165	3,165	0

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	<b>BUDGETED AMOUNTS</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	<b>Final Budget</b>
<b>AGRICULTURAL DEVELOPMENT</b>				
Personal Services	\$ 861	\$ 755	\$ 755	\$ 0
Operating Expenses	593	964	813	151
<b>TOTAL</b>	<b>1,454</b>	<b>1,719</b>	<b>1,568</b>	<b>151</b>
<b>ANIMAL INDUSTRY BOARD</b>				
Personal Services	1,601	1,416	1,416	0
Operating Expenses	391	391	387	4
<b>TOTAL</b>	<b>1,992</b>	<b>1,807</b>	<b>1,803</b>	<b>4</b>
<b>STATE FAIR</b>				
Personal Services	0	0	0	0
Operating Expenses	400	400	400	0
<b>TOTAL</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>0</b>
<b>DEPARTMENT TOTAL, AGRICULTURE</b>				
Personal Services	4,359	3,985	3,985	0
Operating Expenses	2,292	3,898	3,743	155
<b>TOTAL</b>	<b>6,651</b>	<b>7,883</b>	<b>7,728</b>	<b>155</b>
<b>DEPARTMENT OF TOURISM AND STATE DEVELOPMENT</b>				
<b>GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT</b>				
Personal Services	1,639	1,639	1,639	0
Operating Expenses	883	883	882	1
<b>TOTAL</b>	<b>2,522</b>	<b>2,522</b>	<b>2,521</b>	<b>1</b>
<b>TOURISM</b>				
Personal Services	0	0	0	0
Operating Expenses	244	244	236	8
<b>TOTAL</b>	<b>244</b>	<b>244</b>	<b>236</b>	<b>8</b>
<b>DIVISION OF RESEARCH COMMERCE</b>				
Personal Services	157	157	157	0
Operating Expenses	5,409	5,409	4,509	900
<b>TOTAL</b>	<b>5,566</b>	<b>5,566</b>	<b>4,666</b>	<b>900</b>
<b>TRIBAL GOVERNMENT RELATIONS</b>				
Personal Services	186	186	186	0
Operating Expenses	43	43	43	0
<b>TOTAL</b>	<b>229</b>	<b>229</b>	<b>229</b>	<b>0</b>
<b>HISTORY</b>				
Personal Services	1,014	1,014	1,013	1
Operating Expenses	1,041	1,041	1,040	1
<b>TOTAL</b>	<b>2,055</b>	<b>2,055</b>	<b>2,053</b>	<b>2</b>
<b>DEPARTMENT TOTAL, TOURISM AND STATE DEVELOPMENT</b>				
Personal Services	2,996	2,996	2,995	1
Operating Expenses	7,620	7,620	6,710	910
<b>TOTAL</b>	<b>10,616</b>	<b>10,616</b>	<b>9,705</b>	<b>911</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
DEPARTMENT OF GAME, FISH AND PARKS				
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	107	107	104	3
TOTAL	107	107	104	3
ADMINISTRATION, SECRETARY OF GAME, FISH AND PARKS				
Personal Services	84	84	84	0
Operating Expenses	1,069	1,069	1,069	0
TOTAL	1,153	1,153	1,153	0
PARKS & RECREATION				
Personal Services	2,825	2,825	2,825	0
Operating Expenses	1,029	1,029	1,029	0
TOTAL	3,854	3,854	3,854	0
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services	0	0	0	0
Operating Expenses	146	146	146	0
TOTAL	146	146	146	0
DEPARTMENT TOTAL, GAME, FISH AND PARKS				
Personal Services	2,909	2,909	2,909	0
Operating Expenses	2,351	2,351	2,348	3
TOTAL	5,260	5,260	5,257	3
DEPARTMENT OF SOCIAL SERVICES				
ADMINISTRATION				
Personal Services	3,401	3,401	3,401	0
Operating Expenses	3,743	3,518	3,518	0
TOTAL	7,144	6,919	6,919	0
ECONOMIC ASSISTANCE				
Personal Services	6,595	6,595	6,574	21
Operating Expenses	15,966	15,966	14,928	1,038
TOTAL	22,561	22,561	21,502	1,059
MEDICAL AND ADULT SERVICES				
Personal Services	2,469	2,469	2,469	0
Operating Expenses	193,474	191,724	191,724	0
TOTAL	195,943	194,193	194,193	0
CHILDREN'S SERVICES				
Personal Services	7,876	7,876	7,876	0
Operating Expenses	22,429	24,404	24,404	0
TOTAL	30,305	32,280	32,280	0
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	20,341	20,341	20,320	21
Operating Expenses	235,612	235,612	234,574	1,038
TOTAL	255,953	255,953	254,894	1,059



**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
DEPARTMENT OF HEALTH				
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	\$ 642	\$ 642	\$ 642	\$ 0
Operating Expenses	530	500	500	0
TOTAL	1,172	1,142	1,142	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,496	1,456	1,456	0
Operating Expenses	1,203	1,163	1,157	6
TOTAL	2,699	2,619	2,613	6
HEALTH AND MEDICAL SERVICES				
Personal Services	1,606	1,646	1,646	0
Operating Expenses	2,779	2,849	2,849	0
TOTAL	4,385	4,495	4,495	0
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,744	3,744	3,744	0
Operating Expenses	4,512	4,512	4,506	6
TOTAL	8,256	8,256	8,250	6
DEPARTMENT OF LABOR				
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	583	583	583	0
Operating Expenses	89	89	89	0
TOTAL	672	672	672	0
DEPARTMENT TOTAL, LABOR				
Personal Services	583	583	583	0
Operating Expenses	289	289	289	0
TOTAL	872	872	872	0
DEPARTMENT OF TRANSPORTATION				
GENERAL OPERATIONS				
Personal Services	419	419	419	0
Operating Expenses	100	100	100	0
TOTAL	519	519	519	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	419	419	419	0
Operating Expenses	100	100	100	0
TOTAL	519	519	519	0
DEPARTMENT OF EDUCATION				
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,217	1,352	1,352	0
Operating Expenses	1,928	1,928	1,832	96
TOTAL	3,145	3,280	3,184	96

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
STATE AID TO GENERAL EDUCATION				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	324,919	325,277	325,277	0
TOTAL	324,919	325,277	325,277	0
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	49,390	48,832	48,832	0
TOTAL	49,390	48,832	48,832	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	6,880	7,192	7,192	0
TOTAL	6,880	7,192	7,192	0
CAREER AND TECHNICAL EDUCATION				
Personal Services	722	610	610	0
Operating Expenses	570	570	570	0
TOTAL	1,292	1,180	1,180	0
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	20,288	20,177	20,177	0
TOTAL	20,288	20,177	20,177	0
ED RESOURCES				
Personal Services	806	726	726	0
Operating Expenses	5,728	5,387	5,387	0
TOTAL	6,534	6,113	6,113	0
EDUCATION SERVICE AGENCIES				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
STATE LIBRARY				
Personal Services	1,070	1,127	1,127	0
Operating Expenses	1,022	1,022	1,022	0
TOTAL	2,092	2,149	2,149	0
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,815	3,815	3,815	0
Operating Expenses	411,225	410,885	410,789	96
TOTAL	415,040	414,700	414,604	96
DEPARTMENT OF PUBLIC SAFETY				
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	94	119	119	0
Operating Expenses	12	12	12	0
TOTAL	106	131	131	0
ENFORCEMENT				
Personal Services	1,233	1,089	1,089	0
Operating Expenses	218	191	191	0
TOTAL	1,451	1,280	1,280	0

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EMERGENCY SERVICES</b>				
Personal Services	\$ 1,054	\$ 1,054	\$ 1,054	\$ 0
Operating Expenses	2,676	2,822	2,822	0
<b>TOTAL</b>	<b>3,730</b>	<b>3,876</b>	<b>3,876</b>	<b>0</b>
<b>INSPECTION AND LICENSING</b>				
Personal Services	56	56	56	0
Operating Expenses	628	628	628	0
<b>TOTAL</b>	<b>684</b>	<b>684</b>	<b>684</b>	<b>0</b>
<b>DEPARTMENT TOTAL, PUBLIC SAFETY</b>				
Personal Services	2,437	2,318	2,318	0
Operating Expenses	3,534	3,653	3,653	0
<b>TOTAL</b>	<b>5,971</b>	<b>5,971</b>	<b>5,971</b>	<b>0</b>
<b>BOARD OF REGENTS</b>				
<b>REGENTS SYSTEM OFFICE</b>				
Personal Services	3,751	3,792	3,790	2
Operating Expenses	9,543	9,120	9,120	0
<b>TOTAL</b>	<b>13,294</b>	<b>12,912</b>	<b>12,910</b>	<b>2</b>
<b>SOUTH DAKOTA OPPORTUNITY SCHOLARSHIPS</b>				
Personal Services	0	0	0	0
Operating Expenses	3,782	3,782	3,782	0
<b>TOTAL</b>	<b>3,782</b>	<b>3,782</b>	<b>3,782</b>	<b>0</b>
<b>UNIVERSITY OF SOUTH DAKOTA PROPER</b>				
Personal Services	30,941	28,348	28,348	0
Operating Expenses	629	3,227	3,227	0
<b>TOTAL</b>	<b>31,570</b>	<b>31,575</b>	<b>31,575</b>	<b>0</b>
<b>UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE</b>				
Personal Services	15,812	14,060	14,060	0
Operating Expenses	1,092	3,082	3,082	0
<b>TOTAL</b>	<b>16,904</b>	<b>17,142</b>	<b>17,142</b>	<b>0</b>
<b>SOUTH DAKOTA STATE UNIVERSITY PROPER</b>				
Personal Services	41,421	37,900	37,900	0
Operating Expenses	930	4,802	4,802	0
<b>TOTAL</b>	<b>42,351</b>	<b>42,702</b>	<b>42,702</b>	<b>0</b>
<b>COOPERATIVE EXTENSION SERVICE</b>				
Personal Services	7,940	7,940	7,940	0
Operating Expenses	410	410	410	0
<b>TOTAL</b>	<b>8,350</b>	<b>8,350</b>	<b>8,350</b>	<b>0</b>
<b>AGRICULTURAL EXPERIMENT STATION</b>				
Personal Services	9,874	9,874	9,874	0
Operating Expenses	510	510	510	0
<b>TOTAL</b>	<b>10,384</b>	<b>10,384</b>	<b>10,384</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	\$ 13,276	\$ 12,077	\$ 12,077	\$ 0
Operating Expenses	532	1,804	1,804	0
TOTAL	13,808	13,881	13,881	0
NORTHERN STATE UNIVERSITY				
Personal Services	10,422	9,545	9,545	0
Operating Expenses	754	1,454	1,454	0
TOTAL	11,176	10,999	10,999	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	7,491	6,819	6,819	0
Operating Expenses	189	855	855	0
TOTAL	7,680	7,674	7,674	0
DAKOTA STATE UNIVERSITY				
Personal Services	7,342	6,667	6,667	0
Operating Expenses	210	841	841	0
TOTAL	7,552	7,508	7,508	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	3,046	1,788	1,788	0
Operating Expenses	819	1,346	1,346	0
TOTAL	3,865	3,134	3,134	0
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,461	2,366	2,366	0
Operating Expenses	230	306	306	0
TOTAL	2,691	2,672	2,672	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	153,777	141,176	141,174	2
Operating Expenses	19,630	31,539	31,539	0
TOTAL	173,407	172,715	172,713	2
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS				
ADJUTANT GENERAL				
Personal Services	427	410	410	0
Operating Expenses	361	412	411	1
TOTAL	788	822	821	1
ARMY GUARD				
Personal Services	642	650	650	0
Operating Expenses	3,118	3,016	1,602	1,414
TOTAL	3,760	3,666	2,252	1,414
AIR GUARD				
Personal Services	157	152	152	0
Operating Expenses	223	212	212	0
TOTAL	380	364	364	0

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
VETERANS' BENEFITS & SERVICES				
Personal Services	\$ 781	\$ 725	\$ 725	\$ 0
Operating Expenses	1,337	1,316	597	719
TOTAL	2,118	2,041	1,322	719
STATE VETERAN'S HOME				
Personal Services	1,402	1,494	1,494	0
Operating Expenses	1,908	1,842	1,414	428
TOTAL	3,310	3,336	2,908	428
DEPARTMENT TOTAL, MILITARY AND VETERANS AFFAIRS				
Personal Services	3,409	3,431	3,431	0
Operating Expenses	6,947	6,798	4,236	2,562
TOTAL	10,356	10,229	7,667	2,562
DEPARTMENT OF CORRECTIONS				
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,958	1,638	1,638	0
Operating Expenses	7,947	15,276	15,276	0
TOTAL	9,905	16,914	16,914	0
MIKE DURFEE STATE PRISON				
Personal Services	8,461	6,858	6,858	0
Operating Expenses	4,686	4,186	4,181	5
TOTAL	13,147	11,044	11,039	5
STATE PENITENTIARY				
Personal Services	13,348	10,564	10,564	0
Operating Expenses	5,134	4,968	4,968	0
TOTAL	18,482	15,532	15,532	0
WOMEN'S PRISON				
Personal Services	2,261	1,878	1,878	0
Operating Expenses	940	897	881	16
TOTAL	3,201	2,775	2,759	16
COMMUNITY SERVICE				
Personal Services	2,407	2,387	2,387	0
Operating Expenses	1,385	3,665	1,865	1,800
TOTAL	3,792	6,052	4,252	1,800
PAROLE SERVICES				
Personal Services	2,660	2,242	2,242	0
Operating Expenses	954	1,052	1,051	1
TOTAL	3,614	3,294	3,293	1
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,477	1,994	1,994	0
Operating Expenses	12,749	11,866	11,866	0
TOTAL	15,226	13,860	13,860	0
YOUTH CHALLENGE CENTER/LIVING CENTER				
Personal Services	1,313	1,033	1,033	0
Operating Expenses	145	145	138	7
TOTAL	1,458	1,178	1,171	7

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
PATRICK HENRY BRADY ACADEMY				
Personal Services	\$ 1,314	\$ 1,083	\$ 1,083	\$ 0
Operating Expenses	116	116	116	0
TOTAL	1,430	1,199	1,199	0
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	2,750	2,196	2,196	0
Operating Expenses	2,422	2,427	2,427	0
TOTAL	5,172	4,623	4,623	0
QUEST/ExCEL				
Personal Services	1,418	1,161	1,161	0
Operating Expenses	146	146	146	0
TOTAL	1,564	1,307	1,307	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	40,367	33,034	33,034	0
Operating Expenses	36,624	44,744	42,915	1,829
TOTAL	76,991	77,778	75,949	1,829
DEPARTMENT OF HUMAN SERVICES				
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	722	722	722	0
Operating Expenses	316	316	316	0
TOTAL	1,038	1,038	1,038	0
DEVELOPMENTAL DISABILITIES				
Personal Services	593	593	593	0
Operating Expenses	32,502	30,661	30,661	0
TOTAL	33,095	31,254	31,254	0
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	5,866	5,543	5,543	0
Operating Expenses	2,539	2,286	2,286	0
TOTAL	8,405	7,829	7,829	0
ALCOHOL & DRUG ABUSE				
Personal Services	2,193	2,193	2,193	0
Operating Expenses	8,304	8,195	8,195	0
TOTAL	10,497	10,388	10,388	0
REHABILITATION SERVICES				
Personal Services	674	674	674	0
Operating Expenses	2,873	2,782	2,782	0
TOTAL	3,547	3,456	3,456	0
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	449	449	449	0
Operating Expenses	445	332	332	0
TOTAL	894	781	781	0

STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
HUMAN SERVICES CENTER				
Personal Services	\$ 20,720	\$ 19,906	\$ 19,906	\$ 0
Operating Expenses	9,722	10,270	10,270	0
TOTAL	30,442	30,176	30,176	0
COMMUNITY MENTAL HEALTH				
Personal Services	507	507	507	0
Operating Expenses	14,218	13,871	13,871	0
TOTAL	14,725	14,378	14,378	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	31,724	30,587	30,587	0
Operating Expenses	70,919	68,713	68,713	0
TOTAL	102,643	99,300	99,300	0
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES				
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,787	1,787	1,787	0
Operating Expenses	422	422	422	0
TOTAL	2,209	2,209	2,209	0
ENVIRONMENTAL SERVICES				
Personal Services	2,961	2,961	2,961	0
Operating Expenses	685	685	685	0
TOTAL	3,646	3,646	3,646	0
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	4,748	4,748	4,748	0
Operating Expenses	1,107	1,107	1,107	0
TOTAL	5,855	5,855	5,855	0
PUBLIC UTILITIES COMMISSION				
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	460	460	442	18
Operating Expenses	54	54	53	1
TOTAL	514	514	495	19
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	460	460	442	18
Operating Expenses	54	54	53	1
TOTAL	514	514	495	19
UNIFIED JUDICIAL SYSTEM				
UNIFIED JUDICIAL SYSTEM				
Personal Services	30,175	29,575	29,500	75
Operating Expenses	6,178	6,778	6,597	181
TOTAL	36,353	36,353	36,097	256
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	30,175	29,575	29,500	75
Operating Expenses	6,178	6,778	6,597	181
TOTAL	36,353	36,353	36,097	256

STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
LEGISLATURE				
LEGISLATIVE OPERATIONS				
Appropriation	\$ 4,743	\$ 4,743	\$ 4,712	\$ 31
TOTAL	4,743	4,743	4,712	31
LEGISLATIVE AUDIT				
Personal Services	2,519	2,519	2,492	27
Operating Expenses	334	334	301	33
Appropriation	-	-	-	-
TOTAL	2,853	2,853	2,793	60
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,519	2,519	2,492	27
Operating Expenses	334	334	301	33
Appropriation	4,743	4,743	4,712	31
TOTAL	7,596	7,596	7,505	91
ATTORNEY GENERAL				
LEGAL SERVICES				
Personal Services	4,480	4,480	4,480	0
Operating Expenses	1,038	1,038	1,038	0
TOTAL	5,518	5,518	5,518	0
CRIMINAL INVESTIGATION				
Personal Services	2,554	2,554	2,554	0
Operating Expenses	1,690	1,690	1,690	0
TOTAL	4,244	4,244	4,244	0
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	382	382	382	0
TOTAL	382	382	382	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	7,034	7,034	7,034	0
Operating Expenses	3,110	3,110	3,110	0
TOTAL	10,144	10,144	10,144	0
SCHOOL AND PUBLIC LANDS				
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	427	427	417	10
Operating Expenses	139	139	104	35
TOTAL	566	566	521	45
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	427	427	417	10
Operating Expenses	139	139	104	35
TOTAL	566	566	521	45



STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
SECRETARY OF STATE				
SECRETARY OF STATE				
Personal Services	\$ 675	\$ 675	\$ 665	\$ 10
Operating Expenses	302	302	226	76
TOTAL	977	977	891	86
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	675	675	665	10
Operating Expenses	302	302	226	76
TOTAL	977	977	891	86
STATE TREASURER				
TREASURY MANAGEMENT				
Personal Services	337	337	333	4
Operating Expenses	178	178	108	70
TOTAL	515	515	441	74
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	337	337	333	4
Operating Expenses	178	178	108	70
TOTAL	515	515	441	74
STATE AUDITOR				
STATE AUDITOR				
Personal Services	1,049	1,049	1,040	9
Operating Expenses	163	163	118	45
TOTAL	1,212	1,212	1,158	54
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	1,049	1,049	1,040	9
Operating Expenses	163	163	118	45
TOTAL	1,212	1,212	1,158	54
STATE TOTAL				
Personal Services	325,497	303,281	303,087	194
Operating Expenses	835,281	855,960	846,048	9,912
APPROPRIATION	4,743	4,743	4,712	31
TOTAL	\$ 1,165,521	\$ 1,163,984	\$ 1,153,847	\$ 10,137

STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION FUND  
For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>GENERAL OPERATIONS</b>				
Personal Services	\$ 56,420	\$ 56,420	\$ 53,761	\$ 2,659
Operating Expenses	115,337	114,822	82,789	32,033
<b>TOTAL</b>	<u>171,757</u>	<u>171,242</u>	<u>136,550</u>	<u>34,692</u>
<b>CONTRACT CONSTRUCTION--INFORMATIONAL</b>				
Personal Services	0	0	0	0
Operating Expenses	325,861	309,999	270,394	39,605
<b>TOTAL</b>	<u>325,861</u>	<u>309,999</u>	<u>270,394</u>	<u>39,605</u>
<b>ENFORCEMENT</b>				
Personal Services	13,971	14,422	13,169	1,253
Operating Expenses	3,045	3,315	3,199	116
<b>TOTAL</b>	<u>17,016</u>	<u>17,737</u>	<u>16,368</u>	<u>1,369</u>
<b>FUND TOTAL, TRANSPORTATION</b>				
Personal Services	70,391	70,842	66,930	3,912
Operating Expenses	444,243	428,136	356,382	71,754
<b>TOTAL</b>	<u>\$ 514,634</u>	<u>\$ 498,978</u>	<u>\$ 423,312</u>	<u>\$ 75,666</u>

STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FEDERAL FUND  
For the Fiscal Year Ended June 30, 2010  
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>ADMINISTRATION</b>				
Personal Services	\$ 4,544	\$ 4,544	\$ 3,986	\$ 558
Operating Expenses	14,691	14,691	5,932	8,759
<b>TOTAL</b>	<b>19,235</b>	<b>19,235</b>	<b>9,918</b>	<b>9,317</b>
<b>ECONOMIC ASSISTANCE</b>				
Personal Services	9,217	9,217	8,539	678
Operating Expenses	34,418	46,418	40,709	5,709
<b>TOTAL</b>	<b>43,635</b>	<b>55,635</b>	<b>49,248</b>	<b>6,387</b>
<b>MEDICAL AND ADULT SERVICES</b>				
Personal Services	5,073	5,073	4,428	645
Operating Expenses	449,708	493,248	492,705	543
<b>TOTAL</b>	<b>454,781</b>	<b>498,321</b>	<b>497,133</b>	<b>1,188</b>
<b>CHILDREN'S SERVICES</b>				
Personal Services	8,270	8,685	8,614	71
Operating Expenses	43,110	43,790	36,841	6,949
<b>TOTAL</b>	<b>51,380</b>	<b>52,475</b>	<b>45,455</b>	<b>7,020</b>
<b>DEPARTMENT TOTAL, SOCIAL SERVICES</b>				
Personal Services	27,104	27,519	25,567	1,952
Operating Expenses	541,927	598,147	576,187	21,960
<b>TOTAL</b>	<b>\$ 569,031</b>	<b>\$ 625,666</b>	<b>\$ 601,754</b>	<b>\$ 23,912</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET-TO-GAAP RECONCILIATION**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
<b>Uses/Outflows of resources</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$1,153,840	\$423,312	\$601,754
<b>Differences-budget to GAAP:</b>			
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.	(31,059)	(12,850)	(37,570)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,856)		
To Adjust Expenditures/Expenses for Accruals	<u>(5,190)</u>	<u>(5,332)</u>	<u>139,883</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$1,114,735</u></u>	<u><u>\$405,130</u></u>	<u><u>\$704,067</u></u>

## **Required Supplementary Information**

### **Notes to Required Supplementary Information - Budgetary Reporting**

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. There are currently two major special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. The Budget Comparison Schedule follows the same format, terminology, and classification as the state's General Appropriations Act (General Bill). Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an over expended budget. For the year ended June 30, 2010, there were no over-expenditures by any State departments.

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

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2010 has also been included as Required Supplementary Information.

# **COMBINING FINANCIAL STATEMENTS**

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

***Combining Balance Sheet – Nonmajor Governmental Funds – By Type***

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

***Combining Balance Sheet – Nonmajor Special Revenue Funds***

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

***Combining Balance Sheet – Nonmajor Debt Service Funds***

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

***Combining Statement of Net Assets – Nonmajor Enterprise Funds***

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

***Combining Statement of Cash Flows – Nonmajor Enterprise Funds***

***Combining Statement of Net Assets – Internal Service Funds***

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

***Combining Statement of Cash Flows – Internal Service Funds***

***Combining Statement of Fiduciary Net Assets – Pension Trust Funds***

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

***Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds***

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

***Combining Statement of Fiduciary Net Assets – Agency Funds***

***Combining Statement of Changes in Assets and Liabilities – Agency Funds***

***Combining Statement of Net Assets – Component Units***

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

***Combining Statement of Net Assets – Nonmajor Component Units***

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

STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE  
June 30, 2010  
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
<b>Assets</b>					
Cash and Cash Equivalents	\$ 337,941	\$ 771	\$ 262	\$ 421	\$ 339,395
Investments	85,202	65,462		25,903	176,567
Receivables From:					
Taxes (Net)	6,226				6,226
Interest and Dividends	1,915	104	9	98	2,126
Other Funds	16,388				16,388
Component Units	200				200
Other Governments	104,823				104,823
Loans and Notes (Net)	51,768				51,768
Other (Net)	4,096	12,768			16,864
Inventory	4,268				4,268
Deferred Fiscal Charges and Other Assets	1,337	8			1,345
Total Assets	<u>\$ 614,164</u>	<u>\$ 79,113</u>	<u>\$ 271</u>	<u>\$ 26,422</u>	<u>\$ 719,970</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 61,990	\$	\$ 7	\$	\$ 61,997
Payable To:					
Other Funds	29,292		116	14	29,422
Component Units	1,033			68	1,101
Other Governments	58,517				58,517
Claims, Judgments and Compensated Absences	128				128
Deferred Revenue	28,894	12,768			41,662
Total Liabilities	<u>179,854</u>	<u>12,768</u>	<u>123</u>	<u>82</u>	<u>192,827</u>
Fund Balances:					
Reserved For:					
Encumbrances	16,667				16,667
Inventories	4,268				4,268
Debt Service		66,345			66,345
School Perpetuity				26,340	26,340
Noncurrent Assets	51,752				51,752
Funds held as Permanent Investments	85,631				85,631
Unreserved	275,992		148		276,140
Total Fund Balances	<u>434,310</u>	<u>66,345</u>	<u>148</u>	<u>26,340</u>	<u>527,143</u>
Total Liabilities and Fund Balances	<u>\$ 614,164</u>	<u>\$ 79,113</u>	<u>\$ 271</u>	<u>\$ 26,422</u>	<u>\$ 719,970</u>

**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, 2010**  
**(Expressed in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes	\$ 123,757	\$	\$	\$	\$ 123,757
Licenses, Permits and Fees	184,676				184,676
Fines, Forfeits and Penalties	10,731				10,731
Use of Money and Property	24,889	1,126	(4)	4,639	30,650
Sales and Services	23,302				23,302
Administering Programs	783,923				783,923
Tobacco Settlement		25,175			25,175
Other Revenue	13,749				13,749
Total Revenue	<u>1,165,027</u>	<u>26,301</u>	<u>(4)</u>	<u>4,639</u>	<u>1,195,963</u>
Expenditures:					
Current:					
General Government	42,073	196		1,706	43,975
Education	207,016				207,016
Education - Payments to School Districts	24,678				24,678
Education - State Support to Higher Education	11,641				11,641
Health, Human and Social Services	319,000				319,000
Law, Justice, Public Protection and Regulation	121,611				121,611
Agriculture and Natural Resources	118,428				118,428
Economic Resources	42,667				42,667
Transportation	105,805				105,805
State Shared Revenue Paid to Other Governments	82,354				82,354
Capital Outlay			2,336		2,336
Debt Service:					
Principal		22,958			22,958
Interest		18,550			18,550
Total Expenditures	<u>1,075,273</u>	<u>41,704</u>	<u>2,336</u>	<u>1,706</u>	<u>1,121,019</u>
Excess of Revenue Over (Under) Expenditures	89,754	(15,403)	(2,340)	2,933	74,944
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	3,571				3,571
Insurance Proceeds	809				809
Transfers In	167,378	9,258	4		176,640
Transfers Out	(246,506)	(19)		(205)	(246,730)
Total Other Financing Sources (Uses)	<u>(74,748)</u>	<u>9,239</u>	<u>4</u>	<u>(205)</u>	<u>(65,710)</u>
Net Change in Fund Balances	15,006	(6,164)	(2,336)	2,728	9,234
Fund Balances at Beginning of Year	419,304	72,509	2,484	23,612	517,909
Fund Balances at End of Year	<u>\$ 434,310</u>	<u>\$ 66,345</u>	<u>\$ 148</u>	<u>\$ 26,340</u>	<u>\$ 527,143</u>



**STATE OF SOUTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,254	\$ 1,222	\$ 1,091	\$ 209	\$
Investments					
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds	434	362	304	49	
Component Units	25				
Other Governments	23,755	14,738	2,304	2,220	4,449
Loans and Notes (Net)					
Other (Net)			4		
Inventory		220	90	3,199	
Deferred Fiscal Charges and Other Assets					3
<b>Total Assets</b>	<b>\$ 25,468</b>	<b>\$ 16,542</b>	<b>\$ 3,793</b>	<b>\$ 5,677</b>	<b>\$ 4,452</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 3,029	\$ 9,666	\$ 1,771	\$ 1,973	\$ 1,113
Payable To:					
Other Funds	172	3,336	515	227	1,088
Component Units	207	31		19	
Other Governments	20,596	314	9	55	2,248
Claims, Judgments and Compensated Absences	5	12	34	10	
Deferred Revenue	1,393	810			
<b>Total Liabilities</b>	<b>25,402</b>	<b>14,169</b>	<b>2,329</b>	<b>2,284</b>	<b>4,449</b>
Fund Balances:					
Reserved For:					
Encumbrances	19		3	100	1,745
Inventories		220	90	3,199	
Noncurrent Assets					
Funds held as Permanent Investments					
Unreserved	47	2,153	1,371	94	(1,742)
<b>Total Fund Balances</b>	<b>66</b>	<b>2,373</b>	<b>1,464</b>	<b>3,393</b>	<b>3</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,468</b>	<b>\$ 16,542</b>	<b>\$ 3,793</b>	<b>\$ 5,677</b>	<b>\$ 4,452</b>

<b>Public Safety Emergency Management</b>	<b>Natural Resources Federal</b>	<b>Game, Fish and Parks Federal</b>	<b>Game and Fish</b>	<b>Parks and Recreation</b>	<b>Securities and Insurance</b>	<b>Health</b>	<b>Gaming Commission</b>
\$	\$	\$ 3,481	\$ 20,306	\$ 8,439	\$ 654	\$ 3,257	\$ 7,930
							843
		30	143	8	24		11
12		87	609	254		28	
3,586	1,823	1,479		201		87	
			288	1,112	90	50	
						640	
40							
<u>\$ 3,638</u>	<u>\$ 1,823</u>	<u>\$ 5,077</u>	<u>\$ 21,346</u>	<u>\$ 10,014</u>	<u>\$ 768</u>	<u>\$ 4,062</u>	<u>\$ 8,784</u>
\$ 669	\$ 571	\$ 374	\$ 1,519	\$ 1,216	\$ 133	\$ 150	\$ 58
954	823	127	901	4,765	29	638	585
	16	361	24				
1,975	279	75	133			10	777
			6	1		1	1
		4,037		641			6,962
<u>3,598</u>	<u>1,689</u>	<u>4,974</u>	<u>2,583</u>	<u>6,623</u>	<u>162</u>	<u>799</u>	<u>8,383</u>
80	1,184	127	5,225	267		274	
						640	
(40)	(1,050)	(24)	13,538	3,124	606	2,349	401
40	134	103	18,763	3,391	606	3,263	401
<u>\$ 3,638</u>	<u>\$ 1,823</u>	<u>\$ 5,077</u>	<u>\$ 21,346</u>	<u>\$ 10,014</u>	<u>\$ 768</u>	<u>\$ 4,062</u>	<u>\$ 8,784</u>

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STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (continued)  
June 30, 2010  
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
<b>Assets</b>						
Cash and Cash Equivalents	\$ 13,615	\$ 588	\$ 27,945	\$ 63,626	\$ 5,632	\$ 4,197
Investments						
Receivables From:						
Taxes (Net)	246			355	140	
Interest and Dividends	19	21	147		28	19
Other Funds			23	4,196		389
Component Units						10
Other Governments	8,003	217				
Loans and Notes (Net)						
Other (Net)						
Inventory						
Deferred Fiscal Charges and Other Assets	36					18
Total Assets	<u>\$ 21,919</u>	<u>\$ 826</u>	<u>\$ 28,115</u>	<u>\$ 68,177</u>	<u>\$ 5,800</u>	<u>\$ 4,633</u>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 497	\$ 480	\$ 661	\$	\$ 46	\$ 780
Payable To:						
Other Funds	654	231	49		6	4
Component Units						
Other Governments	18,455		293			
Claims, Judgments and Compensated Absences	4	14				
Deferred Revenue						
Total Liabilities	<u>19,610</u>	<u>725</u>	<u>1,003</u>	<u>0</u>	<u>52</u>	<u>784</u>
Fund Balances:						
Reserved For:						
Encumbrances	1,013	9				
Inventories						
Noncurrent Assets						
Funds held as Permanent Investments						
Unreserved	1,296	92	27,112	68,177	5,748	3,849
Total Fund Balances	<u>2,309</u>	<u>101</u>	<u>27,112</u>	<u>68,177</u>	<u>5,748</u>	<u>3,849</u>
Total Liabilities and Fund Balances	<u>\$ 21,919</u>	<u>\$ 826</u>	<u>\$ 28,115</u>	<u>\$ 68,177</u>	<u>\$ 5,800</u>	<u>\$ 4,633</u>

Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$ 17,984	\$ 6,965	\$ 276	\$ 8,108 84,960	\$ 6,946	\$ 134,216 242	\$ 337,941 85,202
527					4,115	6,226
96	41		359	441	528	1,915
1,295	4,094	769			3,483	16,388
	94	52			19	200
124		27,974			13,863	104,823
25,966				25,634	168	51,768
		645	152		1,755	4,096
					119	4,268
		26			1,214	1,337
<u>\$ 45,992</u>	<u>\$ 11,194</u>	<u>\$ 29,742</u>	<u>\$ 93,579</u>	<u>\$ 33,021</u>	<u>\$ 159,722</u>	<u>\$ 614,164</u>
\$ 3,552	\$	\$ 16,523	\$	\$	\$ 17,209	\$ 61,990
		714	3,886		9,588	29,292
		276		79	20	1,033
495		11,423			1,380	58,517
		12			28	128
		770			14,281	28,894
<u>4,047</u>	<u>0</u>	<u>29,718</u>	<u>3,886</u>	<u>79</u>	<u>42,506</u>	<u>179,854</u>
		668			5,953	16,667
					119	4,268
25,333	4,188			22,127	104	51,752
			85,631			85,631
16,612	7,006	(644)	4,062	10,815	111,040	275,992
<u>41,945</u>	<u>11,194</u>	<u>24</u>	<u>89,693</u>	<u>32,942</u>	<u>117,216</u>	<u>434,310</u>
<u>\$ 45,992</u>	<u>\$ 11,194</u>	<u>\$ 29,742</u>	<u>\$ 93,579</u>	<u>\$ 33,021</u>	<u>\$ 159,722</u>	<u>\$ 614,164</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Education Federal</b>	<b>Human Services Federal</b>	<b>Labor Federal</b>	<b>Health Federal</b>	<b>Tourism and State Development Federal</b>
Revenue:					
Taxes	\$	\$	\$ 473	\$	\$
Licenses, Permits and Fees				26	
Fines, Forfeits and Penalties					
Use of Money and Property					
Sales and Services					
Administering Programs	155,222	129,683	27,084	54,013	12,360
Other Revenue	49	16	8	17	
Total Revenue	<u>155,271</u>	<u>129,699</u>	<u>27,565</u>	<u>54,056</u>	<u>12,360</u>
Expenditures:					
General Government					
Education	155,407				
Education - Payments to School Districts					
Education - State Support to Higher Education					
Health, Human and Social Services		129,855	28,765	53,303	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					12,361
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>155,407</u>	<u>129,855</u>	<u>28,765</u>	<u>53,303</u>	<u>12,361</u>
Excess of Revenue Over (Under) Expenditures	(136)	(156)	(1,200)	753	(1)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets			1	14	
Insurance Proceeds					
Transfers In		123	2,438	183	
Transfers Out		(797)		(16)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>(674)</u>	<u>2,439</u>	<u>181</u>	<u>0</u>
Net Change in Fund Balances	(136)	(830)	1,239	934	(1)
Fund Balances at Beginning of Year	202	3,203	225	2,459	4
Fund Balances at End of Year	<u>\$ 66</u>	<u>\$ 2,373</u>	<u>\$ 1,464</u>	<u>\$ 3,393</u>	<u>\$ 3</u>

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			27,815	1,548 11,512	17,965 18,431 698	7,726	9,309 7,702 6
		263	1,324	1,519	187		82
			195	444	18		
18,266	10,263	14,603	344	2,211			
12		10	293	27	32	3,184	
18,278	10,263	14,876	29,971	17,261	37,331	10,910	17,099
						9,465	
18,285					2,373		1,386
	10,193	14,507	27,570	14,623			
							8,818
18,285	10,193	14,507	27,570	14,623	2,373	9,465	10,204
(7)	70	369	2,401	2,638	34,958	1,445	6,895
			89	45			
	74	168	591	196		120	
		(589)	(7,357)	(1,610)	(34,903)	(974)	(6,795)
0	74	(421)	(6,677)	(1,369)	(34,903)	(854)	(6,795)
(7)	144	(52)	(4,276)	1,269	55	591	100
47	(10)	155	23,039	2,122	551	2,672	301
\$ 40	\$ 134	\$ 103	\$ 18,763	\$ 3,391	\$ 606	\$ 3,263	\$ 401

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**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, 2010**  
**(Expressed in Thousands)**

	<b>Motor Vehicle</b>	<b>Revenue</b>	<b>Future</b>	<b>Property Tax Reduction</b>	<b>Petroleum Release Compensation</b>	<b>Maintenance and Repair</b>
Revenue:						
Taxes	\$ 2,795	\$ 8,627	\$ 11,032	\$ 7,219	\$ 1,745	\$
Licenses, Permits and Fees	78,571	2,215				
Fines, Forfeits and Penalties						
Use of Money and Property	179	173	1,183		249	136
Sales and Services	2,465					1,572
Administering Programs						
Other Revenue	10	3	7			148
Total Revenue	<u>84,020</u>	<u>11,018</u>	<u>12,222</u>	<u>7,219</u>	<u>1,994</u>	<u>1,856</u>
Expenditures:						
General Government	6,977	9,060				3,585
Education						
Education - Payments to School Districts						
Education - State Support to Higher Education						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	6,098					
Agriculture and Natural Resources					1,141	
Economic Resources			10,185			
Transportation						
State Shared Revenue Paid to Other Governments	71,036	2,500				
Total Expenditures	<u>84,111</u>	<u>11,560</u>	<u>10,185</u>	<u>0</u>	<u>1,141</u>	<u>3,585</u>
Excess of Revenue Over (Under) Expenditures	(91)	(542)	2,037	7,219	853	(1,729)
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets						28
Insurance Proceeds						
Transfers In	1,033			115,690		315
Transfers Out	(371)	(1,597)	(49)	(123,175)		
Total Other Financing Sources (Uses)	<u>662</u>	<u>(1,597)</u>	<u>(49)</u>	<u>(7,485)</u>	<u>0</u>	<u>343</u>
Net Change in Fund Balances	571	(2,139)	1,988	(266)	853	(1,386)
Fund Balances at Beginning of Year	<u>1,738</u>	<u>2,240</u>	<u>25,124</u>	<u>68,443</u>	<u>4,895</u>	<u>5,235</u>
Fund Balances at End of Year	<u>\$ 2,309</u>	<u>\$ 101</u>	<u>\$ 27,112</u>	<u>\$ 68,177</u>	<u>\$ 5,748</u>	<u>\$ 3,849</u>

Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$ 5,357	\$	\$	\$	\$	\$ 57,687	\$ 123,757
1,666				181	28,831	184,676
					10,027	10,731
779	314		11,238	1,253	6,010	24,889
	100				18,508	23,302
		277,492			82,382	783,923
	275	263			9,395	13,749
7,802	689	277,755	11,238	1,434	212,840	1,165,027
		688			21,763	42,073
		45,050			6,559	207,016
		24,678				24,678
		11,641				11,641
		74,113			23,499	319,000
		10,515			82,954	121,611
9,105		3,092			38,197	118,428
	390	4,807			14,924	42,667
		102,301		298	3,206	105,805
						82,354
9,105	390	276,885	0	298	191,102	1,075,273
(1,303)	299	870	11,238	1,136	21,738	89,754
					3,394	3,571
					809	809
4,866				141	41,440	167,378
(500)		(846)	(3,886)		(63,041)	(246,506)
4,366	0	(846)	(3,886)	141	(17,398)	(74,748)
3,063	299	24	7,352	1,277	4,340	15,006
38,882	10,895		82,341	31,665	112,876	419,304
\$ 41,945	\$ 11,194	\$ 24	\$ 89,693	\$ 32,942	\$ 117,216	\$ 434,310



**STATE OF SOUTH DAKOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Building Authority</b>	<b>Tobacco Securitization</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$	\$ 771	\$ 771
Investments	33,187	32,275	65,462
Receivables From:			
Interest and Dividends		104	104
Other (net)		12,768	12,768
Deferred Fiscal Charges and Other Assets		8	8
Total Assets	<u>\$ 33,187</u>	<u>\$ 45,926</u>	<u>\$ 79,113</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred Revenue	\$	\$ 12,768	\$ 12,768
Total Liabilities	<u>0</u>	<u>12,768</u>	<u>12,768</u>
Fund Balances:			
Reserved For:			
Debt Service	33,187	33,158	66,345
Total Fund Balances	<u>33,187</u>	<u>33,158</u>	<u>66,345</u>
Total Liabilities and Fund Balances	<u>\$ 33,187</u>	<u>\$ 45,926</u>	<u>\$ 79,113</u>

**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, 2010**  
**(Expressed in Thousands)**

	<b>Building Authority</b>	<b>Tobacco Securitization</b>	<b>Total</b>
Revenue:			
Use of Money and Property	\$	\$ 1,126	\$ 1,126
Tobacco Settlement		25,175	25,175
Total Revenue	<u>0</u>	<u>26,301</u>	<u>26,301</u>
Expenditures:			
Current:			
General Government	52	144	196
Debt Service:			
Principal	11,218	11,740	22,958
Interest	3,988	14,562	18,550
Total Expenditures	<u>15,258</u>	<u>26,446</u>	<u>41,704</u>
Excess of Revenue Over (Under)			
Expenditures	(15,258)	(145)	(15,403)
Other Financing Sources (Uses):			
Transfers In	9,258		9,258
Transfers Out	(19)		(19)
Total Other Financing Sources (Uses)	<u>9,239</u>	<u>0</u>	<u>9,239</u>
Net Change in Fund Balances	(6,019)	(145)	(6,164)
Fund Balances at Beginning of Year	<u>39,206</u>	<u>33,303</u>	<u>72,509</u>
Fund Balances at End of Year	<u>\$ 33,187</u>	<u>\$ 33,158</u>	<u>\$ 66,345</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2010**  
**(Expressed in Thousands)**

<b>Assets</b>	<b>Revolving Economic Development and Initiative</b>	<b>Unemployment Insurance</b>	<b>Second Injury</b>	<b>State Fair</b>	<b>Federal Surplus Property</b>
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 39,564	\$ 16,029	\$ 870	\$ 869	\$ 431
Receivables:					
Interest and Dividends	315		11	1	4
Other Funds		119			18
Component Units					
Other Governments		621			71
Loans and Notes (Net)	8,189				
Other (Net)	1,166	1,958		12	45
Inventory					1,236
Deferred Fiscal Charges and Other Assets					
Total Current Assets	<u>49,234</u>	<u>18,727</u>	<u>881</u>	<u>882</u>	<u>1,805</u>
<b>Capital Assets:</b>					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment	28			3,336	559
Accumulated Depreciation	(7)			(2,888)	(401)
Total Capital Assets	<u>21</u>	<u>0</u>	<u>0</u>	<u>640</u>	<u>261</u>
Other Noncurrent Assets	<u>41,032</u>				
<b>Total Assets</b>	<u>90,287</u>	<u>18,727</u>	<u>881</u>	<u>1,522</u>	<u>2,066</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Liabilities	80		1	132	294
Payable To:					
Other Funds	5	912		20	3
Claims, Judgments and Compensated Absences	12		60	15	41
Deferred Revenue				436	4
Total Current Liabilities	<u>97</u>	<u>912</u>	<u>61</u>	<u>603</u>	<u>342</u>
<b>Noncurrent Liabilities:</b>					
Claims, Judgments and Compensated Absences	10		1	13	36
Total Noncurrent Liabilities	<u>10</u>	<u>0</u>	<u>1</u>	<u>13</u>	<u>36</u>
<b>Total Liabilities</b>	<u>107</u>	<u>912</u>	<u>62</u>	<u>616</u>	<u>378</u>
<b>Net Assets</b>					
Invested In Capital Assets, Net of Related Debt	21			640	261
Unrestricted	90,159	17,815	819	266	1,427
<b>Total Net Assets</b>	<u>\$ 90,180</u>	<u>\$ 17,815</u>	<u>\$ 819</u>	<u>\$ 906</u>	<u>\$ 1,688</u>

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 5,100	\$ 3,434	\$ 8,102	\$ 7,378	\$ 616	\$ 2,369	\$ 84,762
96	12	47	45	4	10	545
	188		13		1	339
	12					12
					4	696
731						8,920
	57		7		2	3,247
	1,072				83	2,391
	25				67	92
<u>5,927</u>	<u>4,800</u>	<u>8,149</u>	<u>7,443</u>	<u>620</u>	<u>2,536</u>	<u>101,004</u>
						295
18	2,317		41	7	889	7,195
(4)	(1,208)		(26)	(7)	(832)	(5,373)
<u>14</u>	<u>1,109</u>	<u>0</u>	<u>15</u>	<u>0</u>	<u>57</u>	<u>2,117</u>
<u>2,159</u>						<u>43,191</u>
<u>8,100</u>	<u>5,909</u>	<u>8,149</u>	<u>7,458</u>	<u>620</u>	<u>2,593</u>	<u>146,312</u>
101	70	37	278	704	102	1,799
10	26	2	53	10	37	1,078
13	69	1,144	168	91	36	1,649
	85	992	622		54	2,193
<u>124</u>	<u>250</u>	<u>2,175</u>	<u>1,121</u>	<u>805</u>	<u>229</u>	<u>6,719</u>
<u>12</u>	<u>53</u>	<u>1</u>	<u>151</u>	<u>81</u>	<u>32</u>	<u>390</u>
<u>12</u>	<u>53</u>	<u>1</u>	<u>151</u>	<u>81</u>	<u>32</u>	<u>390</u>
<u>136</u>	<u>303</u>	<u>2,176</u>	<u>1,272</u>	<u>886</u>	<u>261</u>	<u>7,109</u>
14	1,109		15		57	2,117
7,950	4,497	5,973	6,171	(266)	2,275	137,086
<u>\$ 7,964</u>	<u>\$ 5,606</u>	<u>\$ 5,973</u>	<u>\$ 6,186</u>	<u>\$ (266)</u>	<u>\$ 2,332</u>	<u>\$ 139,203</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Revolving Economic Development and Initiative</b>	<b>Unemployment Insurance</b>	<b>Second Injury</b>	<b>State Fair</b>	<b>Federal Surplus Property</b>
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	1,489			359	
Sales and Services				1,325	3,635
Administering Programs		11,765		37	
Assessments		87,820	3,292		
Other Revenue	379			226	1
Total Operating Revenue	<u>1,868</u>	<u>99,585</u>	<u>3,292</u>	<u>1,947</u>	<u>3,636</u>
Operating Expenses:					
Personal Services and Benefits	145		24	623	499
Travel	20			7	7
Contractual Services	217		1	1,190	752
Supplies and Materials	12			338	2,239
Other	897			54	
Depreciation/Amortization	4			31	13
Insurance Claims		92,601	3,187		
Total Operating Expenses	<u>1,295</u>	<u>92,601</u>	<u>3,212</u>	<u>2,243</u>	<u>3,510</u>
Operating Income (Loss)	573	6,984	80	(296)	126
Nonoperating Revenue (Expenses):					
Interest Income	1,697	1,206	81	27	28
Other Expense	(245)				
Grant and Other Income	141				
Total Nonoperating Revenue (Expenses)	<u>1,593</u>	<u>1,206</u>	<u>81</u>	<u>27</u>	<u>28</u>
Income (Loss) Before Transfers	2,166	8,190	161	(269)	154
Transfers:					
Transfers In		123		400	
Transfers Out		(913)			
Net Transfers In (Out)	<u>0</u>	<u>(790)</u>	<u>0</u>	<u>400</u>	<u>0</u>
Change in Net Assets	2,166	7,400	161	131	154
Net Assets at Beginning of Year	88,014	10,415	658	775	1,534
Net Assets at End of Year	<u>\$ 90,180</u>	<u>\$ 17,815</u>	<u>\$ 819</u>	<u>\$ 906</u>	<u>\$ 1,688</u>

<b>Rural Rehabilitation</b>	<b>Prison Industries</b>	<b>Health Insurance Risk Pool</b>	<b>Professional and Licensing</b>	<b>Banking and Insurance</b>	<b>Other</b>	<b>Total</b>
\$ 18	\$	\$	\$ 5,926	\$ 2,483	\$ 2,570	\$ 10,997
205						2,053
2	2,402	5,410	165	96	850	13,885
			108			11,910
						91,112
21		4	222		7	860
246	2,402	5,414	6,421	2,579	3,427	130,817
321	585	77	3,222	1,608	1,422	8,526
38	4	3	617	180	131	1,007
341	491	396	2,676	1,273	893	8,230
	928	6	304	29	222	4,078
49			24		1	1,025
	107		4		51	210
		6,884				102,672
749	2,115	7,366	6,847	3,090	2,720	125,748
(503)	287	(1,952)	(426)	(511)	707	5,069
221	98	324	322	22	65	4,091
						(245)
		890				1,031
221	98	1,214	322	22	65	4,877
(282)	385	(738)	(104)	(489)	772	9,946
	1,000	710		23	80	2,336
(7)	(110)		(128)		(7)	(1,165)
(7)	890	710	(128)	23	73	1,171
(289)	1,275	(28)	(232)	(466)	845	11,117
8,253	4,331	6,001	6,418	200	1,487	128,086
\$ 7,964	\$ 5,606	\$ 5,973	\$ 6,186	\$ (266)	\$ 2,332	\$ 139,203

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(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	\$ 83	\$ 86,762	\$ 3,292	\$ 2,020	\$ 2,915
Receipts from Interfund Services Provided					755
Receipts from Federal Agencies		11,765			107
Receipts from Loan Payments	9,140				
Payments to Suppliers and for Benefits and Claims	(281)	(92,601)	(3,864)	(1,373)	(3,176)
Payments for Employee Services	(169)		(24)	(616)	(491)
Payments for Interfund Services Used	(55)	(139)	(1)	(163)	(75)
Payments for Loans Originated	(5,571)				
Other Receipts (Payments)					1
Net Cash Provided (Used) by Operating Activities	3,147	5,787	(597)	(132)	36
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets					
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0	0
Cash Flows From Noncapital Financing Activities:					
Transfers In		123		400	
Transfers Out		(913)			
Borrowings from Federal Government		24,089			
Repayments to Federal Government		(24,089)			
Other Noncapital Financing Activities	(101)				
Net Cash Provided (Used) by Noncapital Financing Activities	(101)	(790)	0	400	0
Cash Flows From Investing Activities:					
Investment Income	1,784	1,207	88	25	27
Net Cash Provided (Used) by Investing Activities	1,784	1,207	88	25	27
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	4,830	6,204	(509)	293	63
Cash and Cash Equivalents at Beginning of Year	34,734	9,825	1,379	576	368
Cash and Cash Equivalents at End of Year	\$ 39,564	\$ 16,029	\$ 870	\$ 869	\$ 431
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 573	\$ 6,984	\$ 80	\$ (296)	\$ 126
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	4			31	13
Miscellaneous Nonoperating Items					
Decrease/(Increase) in Assets:					
Accounts Receivable	(1,146)	(627)		(8)	130
Interest, Dividends & Penalties Receivable	58				
Loans and Notes Receivable	3,646				
Due From Other Funds		(24)			28
Due From Component Units					12
Due From Other Governments		797			(29)
Inventory					(425)
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	37	(431)	(677)	47	171
Accrued Liabilities	(2)			4	3
Compensated Absences Payable	(23)			3	5
Due To Other Funds		(912)		8	
Deferred Revenue				80	2
Policy Claim Liabilities					
Other Liabilities				(1)	
Net Cash Provided (Used) by Operating Activities	\$ 3,147	\$ 5,787	\$ (597)	\$ (132)	\$ 36

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 41	\$ 547 1,914	\$ 5,655	\$ 6,035 412	\$ 2,579	\$ 3,229 141	\$ 113,158 3,222
					81	11,953
177						9,317
(332)	(1,541)	(6,898)	(3,016)	(1,141)	(781)	(115,004)
(334)	(582)	(78)	(3,215)	(1,585)	(1,405)	(8,499)
(88)	(87)	(12)	(608)		(349)	(1,577)
						(5,571)
						1
(536)	251	(1,333)	(392)	(147)	916	7,000
			(12)		(9)	(21)
0	0	0	(12)	0	(9)	(21)
	1,000	710		23	80	2,336
(7)	(110)		(128)		(7)	(1,165)
						24,089
						(24,089)
		890			7	796
(7)	890	1,600	(128)	23	80	1,967
238	102	347	342	26	68	4,254
238	102	347	342	26	68	4,254
(305)	1,243	614	(190)	(98)	1,055	13,200
5,405	2,191	7,488	7,568	714	1,314	71,562
\$ 5,100	\$ 3,434	\$ 8,102	\$ 7,378	\$ 616	\$ 2,369	\$ 84,762
\$ (503)	\$ 287	\$ (1,952)	\$ (426)	\$ (511)	\$ 707	\$ 5,069
	107		4		51	210
		(1)				(1)
	7	34	25		1	(1,584)
(28)						30
(27)						3,619
	(37)				(1)	(34)
	1					13
					3	771
	(182)				9	(598)
	(7)				99	92
35	(4)	(34)	15	342	14	(485)
1	2	3	(4)	3	2	12
(14)	(1)	(3)	10	20	15	12
	(2)	(3)	(17)	(1)	2	(925)
	80	206	1		20	389
		417				417
					(6)	(7)
\$ (536)	\$ 251	\$ (1,333)	\$ (392)	\$ (147)	\$ 916	\$ 7,000



**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**

**June 30, 2010**

**(Expressed in Thousands)**

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
<b>Assets</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 23,973	\$ 2,851	\$ 1,850	\$ 2,353	\$ 723	\$ 795
Receivables:						
Interest and Dividends	157	5	5	22	3	3
Other Funds		1,850	821	847	1,009	334
Component Units		4	332	65		1
Other Governments						
Other		1	25	1	7	1
Inventory		10	122		21	111
Deferred Fiscal Charges and Other Assets	338	1,088	292	531	4	10
Total Current Assets	24,468	5,809	3,447	3,819	1,767	1,255
Capital Assets:						
Property, Plant and Equipment		14,229	3,935	10,001	1,152	431
Accumulated Depreciation		(11,293)	(3,111)	(9,496)	(1,059)	(365)
Construction in Progress				178		
Total Capital Assets	0	2,936	824	683	93	66
<b>Total Assets</b>	<b>24,468</b>	<b>8,745</b>	<b>4,271</b>	<b>4,502</b>	<b>1,860</b>	<b>1,321</b>
<b>Liabilities</b>						
Current Liabilities:						
Accounts Payable and Other Liabilities	544	947	764	86	365	33
Payable To:						
Other Funds	40	156	124	91	22	5
Component Units			69			
Bonds, Notes and Leases Payable		376	235			
Claims, Judgments and Compensated Absences	12,606	995	348	107	159	32
Deferred Revenue	7,707					
Total Current Liabilities	20,897	2,474	1,540	284	546	70
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		872	250			
Claims, Judgments and Compensated Absences	26	891	311	95	142	28
Total Noncurrent Liabilities	26	1,763	561	95	142	28
<b>Total Liabilities</b>	<b>20,923</b>	<b>4,237</b>	<b>2,101</b>	<b>379</b>	<b>688</b>	<b>98</b>
<b>Net Assets</b>						
Invested In Capital Assets, Net of Related Debt		1,688	339	683	93	66
Unrestricted	3,545	2,820	1,831	3,440	1,079	1,157
<b>Total Net Assets</b>	<b>\$ 3,545</b>	<b>\$ 4,508</b>	<b>\$ 2,170</b>	<b>\$ 4,123</b>	<b>\$ 1,172</b>	<b>\$ 1,223</b>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 593	\$ 10,395	\$ 2,621	\$ 953	\$ 4,555	\$ 4,246	\$ 55,908
2	49	10	1	28	24	309
86		1,480	291		744	7,462
		447			82	931
					121	121
2		29	4		190	260
					465	729
21	555	11				2,850
704	10,999	4,598	1,249	4,583	5,872	68,570
1,922	58	45,085	12		9,423	86,248
(1,087)	(58)	(34,140)	(10)		(3,869)	(64,488)
11		14			6	209
846	0	10,959	2	0	5,560	21,969
1,550	10,999	15,557	1,251	4,583	11,432	90,539
37	28	426	180	14	569	3,993
20	7	631	52	3	395	1,546
		54				123
		2,468				3,079
37	1,102	25	227	1,769	447	17,854
436					22	8,165
530	1,137	3,604	459	1,786	1,433	34,760
		2,532				3,654
33	2,688	23	204	17,426	401	22,268
33	2,688	2,555	204	17,426	401	25,922
563	3,825	6,159	663	19,212	1,834	60,682
846		5,959	2		5,560	15,236
141	7,174	3,439	586	(14,629)	4,038	14,621
\$ 987	\$ 7,174	\$ 9,398	\$ 588	\$ (14,629)	\$ 9,598	\$ 29,857

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Tele- communi- cations</b>	<b>Accounting and Payroll</b>	<b>Buildings and Grounds</b>	<b>Central Mail</b>
Operating Revenue:						
Use of Money and Property	\$ 1	\$	\$	\$	\$	\$
Sales and Services	107,689	20,384	13,130	3,023	5,152	4,041
Administering Programs						
Other Revenue	1,544	48	4	10	9	
Total Operating Revenue:	109,234	20,432	13,134	3,033	5,161	4,041
Operating Expenses:						
Personal Services and Benefits	556	13,546	4,530	1,132	2,779	330
Travel	9	27	136	5		
Contractual Services	8,107	4,767	8,296	1,837	1,723	176
Supplies and Materials	140	441	332	82	737	3,464
Interest		38		1		
Depreciation/Amortization		1,352	238	154	22	29
Insurance Claims	105,590					
Total Operating Expenses	114,402	20,171	13,532	3,211	5,261	3,999
Operating Income (Loss)	(5,168)	261	(398)	(178)	(100)	42
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets		2	3			
Loss on Disposal of Assets		(2)			(1)	
Interest Income	1,196	66	52	184	16	21
Capital Contribution		24			11	
Total Nonoperating Revenue (Expenses)	1,196	90	55	184	26	21
Income (Loss) Before Transfers	(3,972)	351	(343)	6	(74)	63
Transfers:						
Transfers In				561		
Transfers Out				(2,020)		
Net Transfers In (Out)	0	0	0	(1,459)	0	0
Change in Net Assets	(3,972)	351	(343)	(1,453)	(74)	63
Net Assets at Beginning of Year	7,517	4,157	2,513	5,576	1,246	1,160
Net Assets at End of Year	\$ 3,545	\$ 4,508	\$ 2,170	\$ 4,123	\$ 1,172	\$ 1,223

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$	\$ 1
1,156	3,427	17,284	3,862	3,462	11,646	194,256
249						249
	13	32		33	70	1,763
1,405	3,440	17,316	3,862	3,495	11,716	196,269
363	322	557	3,095	160	5,494	32,864
10	24	8	72		356	647
335	940	2,476	680	120	2,052	31,509
74	5	7,507	132	5	3,209	16,128
		301			10	350
468		4,445			366	7,074
	239			4,401	500	110,730
1,250	1,530	15,294	3,979	4,686	11,987	199,302
155	1,910	2,022	(117)	(1,191)	(271)	(3,033)
		186			1	192
		(38)				(41)
18	423	111	43	225	188	2,543
200						235
218	423	259	43	225	189	2,929
373	2,333	2,281	(74)	(966)	(82)	(104)
			259		1,018	1,838
					(345)	(2,365)
0	0	0	259	0	673	(527)
373	2,333	2,281	185	(966)	591	(631)
614	4,841	7,117	403	(13,663)	9,007	30,488
\$ 987	\$ 7,174	\$ 9,398	\$ 588	\$ (14,629)	\$ 9,598	\$ 29,857

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(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	\$ 60,946	\$ 368	\$ 4,347	\$ 299	\$ 9	\$ 157
Receipts from Interfund Services Provided	48,345	20,017	8,886	2,669	5,142	3,941
Payments to Suppliers and for Benefits and Claims	(111,830)	(3,476)	(7,880)	(1,038)	(1,689)	(3,531)
Payments for Employee Services	(551)	(13,529)	(4,505)	(1,121)	(2,757)	(329)
Payments for Interfund Services Used	(514)	(1,661)	(858)	(964)	(729)	(85)
Other Receipts (Payments)		48	4	10	9	
Net Cash Provided (Used) by Operating Activities	(3,604)	1,767	(6)	(145)	(15)	153
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(235)	(136)	(174)		
Sales of Capital Assets		2	3			
Payments on Capital Lease Obligations		(502)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(735)	(133)	(174)	0	0
Cash Flows From Noncapital Financing Activities:						
Transfers In				561		
Transfers Out				(2,020)		
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	(1,459)	0	0
Cash Flows From Investing Activities						
Investment Income (Expense)	1,267	69	57	193	17	21
Net Cash Provided (Used) by Investing Activities	1,267	69	57	193	17	21
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(2,337)	1,101	(82)	(1,585)	2	174
Cash and Cash Equivalents at Beginning of Year	26,310	1,750	1,932	3,938	721	621
Cash and Cash Equivalents at End of Year	\$ 23,973	\$ 2,851	\$ 1,850	\$ 2,353	\$ 723	\$ 795
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (5,168)	\$ 261	\$ (398)	\$ (178)	\$ (100)	\$ 42
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,352	238	154	22	29
Interest Expense		38				
Miscellaneous Nonoperating Items	1	30				
Decrease/(Increase) in Assets:						
Accounts Receivable		5	4		(6)	1
Due From Other Funds		(5)	(20)	(61)	(1)	56
Due From Component Units		2	119	5		1
Due From Other Governments						
Inventory		4	2		(3)	29
Deferred Fiscal Charges and Other Assets		(7)	(50)	(67)		(5)
Increase/(Decrease) in Liabilities:						
Accounts Payable	121	80	17	2	(116)	(1)
Accrued Liabilities	1	(8)	(4)		3	(1)
Compensated Absences Payable	4	25	29	11	19	2
Due To Other Funds	(4)	(10)	(13)	(11)	(2)	(1)
Due To Component Units			69			
Due To Other Governments			1		169	1
Deferred Revenue	58					
Policy Claim Liabilities	1,383					
Net Cash Provided (Used) by Operating Activities	\$ (3,604)	\$ 1,767	\$ (6)	\$ (145)	\$ (15)	\$ 153
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets			3		(1)	
Capital Lease Obligations Entered Into		(1,039)	(486)			
Transfers In (Out) of Fixed Assets		24			11	

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 401	\$ 1,034	\$ 3,397	\$ 26	\$ 1,042	\$ 2,223	\$ 74,249
337	2,393	14,012	3,943	2,453	9,526	121,664
(304)	(2,995)	(4,857)	(505)	(3,435)	(4,181)	(145,721)
(354)	(322)	(554)	(3,123)	(159)	(5,457)	(32,761)
(121)	(98)	(5,049)	(399)	(36)	(1,979)	(12,493)
249	13	32			70	435
208	25	6,981	(58)	(135)	202	5,373
(244)		(913)			(56)	(1,758)
		335			1	341
		(4,163)			(248)	(4,913)
(244)	0	(4,741)	0	0	(303)	(6,330)
			259		1,017	1,837
					(345)	(2,365)
0	0	0	259	0	672	(528)
16	440	101	44	231	190	2,646
16	440	101	44	231	190	2,646
(20)	465	2,341	245	96	761	1,161
613	9,930	280	708	4,459	3,485	54,747
\$ 593	\$ 10,395	\$ 2,621	\$ 953	\$ 4,555	\$ 4,246	\$ 55,908
\$ 155	\$ 1,910	\$ 2,022	\$ (117)	\$ (1,191)	\$ (271)	\$ (3,033)
468		4,445			366	7,074
		343			10	391
					15	46
2		(2)	(1)		(37)	(34)
(17)		107	108		69	236
		17			31	175
		3			25	28
					(36)	(4)
(7)	(554)	(5)				(695)
2	(9)	37	(23)	(929)	(23)	(842)
3			(8)		17	3
6	(1)	2	(20)	2	18	97
(1)	(1)	(20)	3	(2)	11	(51)
		32				101
					2	173
(403)					5	(340)
	(1,320)			1,985		2,048
\$ 208	\$ 25	\$ 6,981	\$ (58)	\$ (135)	\$ 202	\$ 5,373
		147				149
						(1,525)
200						235

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PENSION TRUST FUNDS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>South Dakota Retirement System</b>	<b>Cement Plant Retirement System</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,181	\$ 651	\$ 6,832
Receivables:			
Employer	2,005		2,005
Employee	3,175		3,175
Benefits	68		68
Unsettled Investment Sales	1,458	75	1,533
Investment Income	16,660	93	16,753
Total Receivables	23,366	168	23,534
Investments, at Fair Value:			
Fixed Income	1,890,075	9,435	1,899,510
Equities	3,334,912	20,152	3,355,064
Real Estate	604,352	3,853	608,205
Private Equity	734,023	4,992	739,015
Total Investments	6,563,362	38,432	6,601,794
Properties, at Cost	60		60
Accumulated Depreciation	(31)		(31)
Other Assets	18		18
Total Assets	6,592,956	39,251	6,632,207
<b>Liabilities</b>			
Payables:			
Accounts Payable and Other Liabilities	3,265		3,265
Due to Other Funds	63		63
Compensated Absences Payable	250		250
Securities Sold, But Not Yet Purchased, at Fair Value	78,941		78,941
Unsettled Investment Purchases	13,804	84	13,888
Total Liabilities	96,323	84	96,407
<b>Net Assets Held In Trust For Pension and Other Employee Benefits</b>	<b>\$ 6,496,633</b>	<b>\$ 39,167</b>	<b>\$ 6,535,800</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>South Dakota Retirement System</b>	<b>Cement Plant Retirement System</b>	<b>Total</b>
<b>Additions</b>			
Contributions:			
Employee	\$ 98,347	\$	\$ 98,347
Employer	96,914		96,914
Total Contributions	195,261	0	195,261
Investment Income:			
From Investing Activities			
Net Increase (Decrease) in Fair Value of Investments	869,457	5,981	875,438
Interest	99,356	606	99,962
Dividends	77,785	447	78,232
Real Estate	4,148	27	4,175
Investment Activity Income	1,050,746	7,061	1,057,807
Less Investment Activity Expenses	(39,638)	(254)	(39,892)
Net Investment Income (Loss)	1,011,108	6,807	1,017,915
<b>Total Additions</b>	<b>1,206,369</b>	<b>6,807</b>	<b>1,213,176</b>
<b>Deductions</b>			
Benefits	325,951	3,289	329,240
Refunds of Contributions	29,148		29,148
Administrative Expenses	3,402	31	3,433
<b>Total Deductions</b>	<b>358,501</b>	<b>3,320</b>	<b>361,821</b>
Net Increase	847,868	3,487	851,355
<b>Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year</b>	<b>5,648,765</b>	<b>35,680</b>	<b>5,684,445</b>
<b>End of Year</b>	<b>\$ 6,496,633</b>	<b>\$ 39,167</b>	<b>\$ 6,535,800</b>



**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	<b>Common School</b>	<b>Child's Own</b>	<b>Corrections</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 8,744	\$ 259	\$ 2,029	\$ 625	\$ 11,657
Receivables:					
Due from Other Funds			109		109
Investment Income	482	1		3	486
Other	4	11			15
Total Receivables	486	12	109	3	610
Investments, at Fair Value:					
Pooled Investment Funds	118,999				118,999
Total Investments	118,999	0	0	0	118,999
Properties, at Cost	13,868			22	13,890
Other Assets				9	9
Total Assets	142,097	271	2,138	659	145,165
<b>Liabilities</b>					
Payables:					
Accounts Payable and Other Liabilities		188		3	191
Due To Other Funds			137	19	156
Total Liabilities	0	188	137	22	347
<b>Net Assets Held In Trust For Others</b>	<b>\$ 142,097</b>	<b>\$ 83</b>	<b>\$ 2,001</b>	<b>\$ 637</b>	<b>\$ 144,818</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	<b>Common School</b>	<b>Child's Own</b>	<b>Corrections</b>	<b>Other</b>	<b>Total</b>
<b>Additions</b>					
Contributions:					
From Clients and Inmates	\$	\$	\$ 6,552	\$ 1,090	\$ 7,642
Other	7,108				7,108
Total Contributions	7,108	0	6,552	1,090	14,750
Investment Income:					
From Investing Activities					
Net Increase (Decrease) in Fair Value of Investments	10,350				10,350
Pooled Interest and Dividends	4,089	5		17	4,111
Net Investment Income (Loss)	14,439	5	0	17	14,461
Escheated Property	63				63
Miscellaneous Income		719		38	757
<b>Total Additions</b>	<b>21,610</b>	<b>724</b>	<b>6,552</b>	<b>1,145</b>	<b>30,031</b>
<b>Deductions</b>					
Distribution to School Districts	8,672				8,672
Escheat Distributions	30				30
Payments made for Trust Purposes		753	6,505	1,496	8,754
Administrative Expenses				5	5
<b>Total Deductions</b>	<b>8,702</b>	<b>753</b>	<b>6,505</b>	<b>1,501</b>	<b>17,461</b>
Net Increase (Decrease)	12,908	(29)	47	(356)	12,570
<b>Net Assets Held In Trust For Others</b>					
Beginning of Year	129,189	112	1,954	993	132,248
End of Year	\$ 142,097	\$ 83	\$ 2,001	\$ 637	\$ 144,818



STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2010  
(Expressed in Thousands)

	Department of Revenue - Tax Collections	Social Services - Child Support	State Auditor - Payroll Withholding	State Clerk of Courts	Other	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 48,851	\$ 1,425	\$ 4,870	\$ 3,599	\$ 1,189	\$ 59,934
Receivables:						
Taxes Receivable (net)	33,541					33,541
Due From Other Governments	482				10	492
Interest and Dividends Receivable	44				2	46
Other	443				29	472
Total Receivables	<u>34,510</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41</u>	<u>34,551</u>
<b>Total Assets</b>	<u>\$ 83,361</u>	<u>\$ 1,425</u>	<u>\$ 4,870</u>	<u>\$ 3,599</u>	<u>\$ 1,230</u>	<u>\$ 94,485</u>
<b>Liabilities</b>						
Payables:						
Accounts Payable and Other Liabilities	\$ 3,756	\$ 1,425	\$ 28	\$ 3,599	\$ 411	\$ 9,219
Refunds - Contractors Excise Tax	33,681					33,681
Due To Other Governments	45,924		4,842		819	51,585
<b>Total Liabilities</b>	<u>\$ 83,361</u>	<u>\$ 1,425</u>	<u>\$ 4,870</u>	<u>\$ 3,599</u>	<u>\$ 1,230</u>	<u>\$ 94,485</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<b>Department of Revenue - Tax Collections</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 49,031	\$ 333,087	\$ 333,267	\$ 48,851
Accounts Receivable	314	872	743	443
Taxes Receivable (Net)	32,238	33,542	32,239	33,541
Interest and Dividends Receivable	79	44	79	44
Due From Other Governments	463	482	463	482
Total Assets	<u>\$ 82,125</u>	<u>\$ 368,027</u>	<u>\$ 366,791</u>	<u>\$ 83,361</u>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 773	\$ 3,780	\$ 797	\$ 3,756
Refunds - Contractors Excise Tax	30,062	28,818	25,199	33,681
Due To Other Governments	51,290	335,428	340,794	45,924
Total Liabilities	<u>\$ 82,125</u>	<u>\$ 368,026</u>	<u>\$ 366,790</u>	<u>\$ 83,361</u>
<b>Social Services - Child Support</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,762	\$ 101,678	\$ 102,015	\$ 1,425
Total Assets	<u>\$ 1,762</u>	<u>\$ 101,678</u>	<u>\$ 102,015</u>	<u>\$ 1,425</u>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 1,762	\$ 101,678	\$ 102,015	\$ 1,425
Total Liabilities	<u>\$ 1,762</u>	<u>\$ 101,678</u>	<u>\$ 102,015</u>	<u>\$ 1,425</u>
<b>State Auditor - Payroll Withholding</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 4,837	\$ 180,991	\$ 180,958	\$ 4,870
Total Assets	<u>\$ 4,837</u>	<u>\$ 180,991</u>	<u>\$ 180,958</u>	<u>\$ 4,870</u>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 28	\$ 2,096	\$ 2,096	\$ 28
Due To Other Governments	4,809	178,895	178,862	4,842
Total Liabilities	<u>\$ 4,837</u>	<u>\$ 180,991</u>	<u>\$ 180,958</u>	<u>\$ 4,870</u>
<b>State Clerk of Courts</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 4,170	\$ 12,099	\$ 12,670	\$ 3,599
Total Assets	<u>\$ 4,170</u>	<u>\$ 12,099</u>	<u>\$ 12,670</u>	<u>\$ 3,599</u>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 4,170	\$ 12,099	\$ 12,670	\$ 3,599
Total Liabilities	<u>\$ 4,170</u>	<u>\$ 12,099</u>	<u>\$ 12,670</u>	<u>\$ 3,599</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS (Continued)**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

<b>Other Agency Funds</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2010</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,525	\$ 35,707	\$ 36,043	\$ 1,189
Accounts Receivable		29		29
Interest and Dividends Receivable	3	2	3	2
Due From Other Governments	130	715	835	10
<b>Total Assets</b>	<b>\$ 1,658</b>	<b>\$ 36,453</b>	<b>\$ 36,881</b>	<b>\$ 1,230</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 753	\$ 34,093	\$ 34,435	\$ 411
Due To Other Governments	905	826	912	819
<b>Total Liabilities</b>	<b>\$ 1,658</b>	<b>\$ 34,919</b>	<b>\$ 35,347</b>	<b>\$ 1,230</b>
<b>Total All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 61,325	\$ 663,562	\$ 664,953	\$ 59,934
Accounts Receivable	314	901	743	472
Taxes Receivable (Net)	32,238	33,542	32,239	33,541
Interest and Dividends Receivable	82	46	82	46
Due From Other Governments	593	1,197	1,298	492
<b>Total Assets</b>	<b>\$ 94,552</b>	<b>\$ 699,248</b>	<b>\$ 699,315</b>	<b>\$ 94,485</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 7,486	\$ 153,746	\$ 152,013	\$ 9,219
Refunds - Contractors Excise Tax	30,062	28,818	25,199	33,681
Due To Other Governments	57,004	515,149	520,568	51,585
<b>Total Liabilities</b>	<b>\$ 94,552</b>	<b>\$ 697,713</b>	<b>\$ 697,780</b>	<b>\$ 94,485</b>

STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET ASSETS  
COMPONENT UNITS  
June 30, 2010  
(Expressed in Thousands)

Assets	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 284,401	\$ 46,983	\$ 152,485	\$ 2,997	\$ 486,866
Receivables:					
Interest and Dividends	11,442	270	1,254	167	13,133
Primary Government		10	2,029		2,039
Other Governments			26,609		26,609
Loans and Notes (Net)	80,110		7,466	1,755	89,331
Other (Net)		113	28,263	2	28,378
Investments	30,719		8,192	2,376	41,287
Inventory	1,370	1,602	7,538		10,510
Deferred Swap Outflow	30,107				30,107
Deferred Fiscal Charges and Other Assets		1,341	3,608	56	5,005
Total Current Assets	438,149	50,319	237,444	7,353	733,265
Investments	581,807		253,080	1,219	836,106
<b>Restricted Assets:</b>					
Cash and Cash Equivalents			49,508	11	49,519
Investments			15,982	6,368	22,350
<b>Capital Assets:</b>					
Land and Other Non-depreciable Assets	220	13,563	32,238		46,021
Property, Plant and Equipment	9,517	37,143	882,165		928,825
Accumulated Depreciation	(2,907)	(1,813)	(406,793)		(411,513)
Construction in Progress		4,723	214,729		219,452
Total Capital Assets	6,830	53,616	722,339		782,785
Other Noncurrent Assets (net)	1,520,600		83,306	24,489	1,628,395
<b>Total Assets</b>	<b>2,547,386</b>	<b>103,935</b>	<b>1,361,659</b>	<b>39,440</b>	<b>4,052,420</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Liabilities	1,778	1,712	48,544	25	52,059
Payable To:					
Primary Government	30	10	1,103		1,143
Escrow Payable	20,092				20,092
Bonds, Notes and Leases Payable	178,428		20,522	1,460	200,410
Claims, Judgments and Compensated Absences		149	10,437		10,586
Accrued Interest Payable	12,277		3,493	335	16,105
Deferred Revenue			19,038	23	19,061
Fair Value of Interest Rate Swap Agreements	30,107				30,107
Other Current Liabilities			7,276	114	7,390
Total Current Liabilities	242,712	1,871	110,413	1,957	356,953
<b>Noncurrent Liabilities:</b>					
Bonds, Notes and Leases Payable	1,859,591		363,884	25,883	2,249,358
Claims, Judgments and Compensated Absences	364	149	26,735		27,248
Federal Capital Contribution Refundable Advance			37,072		37,072
Other Noncurrent Liabilities	7,344		19,184	1,404	27,932
Total Noncurrent Liabilities	1,867,299	149	446,875	27,287	2,341,610
<b>Total Liabilities</b>	<b>2,110,011</b>	<b>2,020</b>	<b>557,288</b>	<b>29,244</b>	<b>2,698,563</b>
<b>Net Assets</b>					
Invested In Capital Assets, Net of Related Debt	861	53,616	440,683		495,160
Restricted For:					
Debt Service	436,514		4,708	6,379	447,601
Higher Education - Expendable			99,533		99,533
Higher Education - Nonexpendable			270,420		270,420
Interim Lab		20,211			20,211
Sanford Center for Science Education		13,100			13,100
Indemnification		10,000			10,000
Other		3,019			3,019
Unrestricted		1,969	(10,973)	3,817	(5,187)
<b>Total Net Assets</b>	<b>\$ 437,375</b>	<b>\$ 101,915</b>	<b>\$ 804,371</b>	<b>\$ 10,196</b>	<b>\$ 1,353,857</b>

STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
COMPONENT UNITS  
For the Fiscal Year Ended June 30, 2010  
(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 \$26,345)	\$	\$	\$ 174,538	\$	\$ 174,538
Use of Money and Property	146,827	717		1,582	149,126
Sales and Services (net of discounts and allowances for scholarships of \$8,397)			80,109		80,109
Administering Programs			164,156		164,156
Other Revenue	8,918		48,549		57,467
Total Operating Revenue	155,745	717	467,352	1,582	625,396
Operating Expenses:					
Personal Services and Benefits	3,221	6,386	347,491	54	357,152
Travel	174	78	14,464		14,716
Contractual Services	7,196	2,369	96,258	93	105,916
Supplies and Materials	198	3,922	65,832		69,952
Grants and Subsidies	29,739		55,605		85,344
Other	2,626		3,750	62	6,438
Interest	76,139		127	1,414	77,680
Depreciation/Amortization	3,140	939	28,376	4	32,459
Total Operating Expenses	122,433	13,694	611,903	1,627	749,657
Operating Income (Loss)	33,312	(12,977)	(144,551)	(45)	(124,261)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets		(61)	(343)		(404)
Interest Income		1,961	21,234	136	23,331
Interest Expense			(18,247)	(12)	(18,259)
Other Expense			(1,903)		(1,903)
State Aid from Primary Government			182,681		182,681
Federal Appropriation			8,168		8,168
Grant and Other Income		20,012	3,819	15	23,846
Total Nonoperating Revenue (Expenses)	0	21,912	195,409	139	217,460
Income (Loss) Before Capital Grants and Additions to Endowments	33,312	8,935	50,858	94	93,199
Capital Grants			10,427		10,427
Additions to Endowments			15,462		15,462
Change in Net Assets	33,312	8,935	76,747	94	119,088
Net Assets At Beginning of Year, as restated	404,063	92,980	727,624	10,102	1,234,769
Net Assets at End of Year	\$ 437,375	\$ 101,915	\$ 804,371	\$ 10,196	\$ 1,353,857



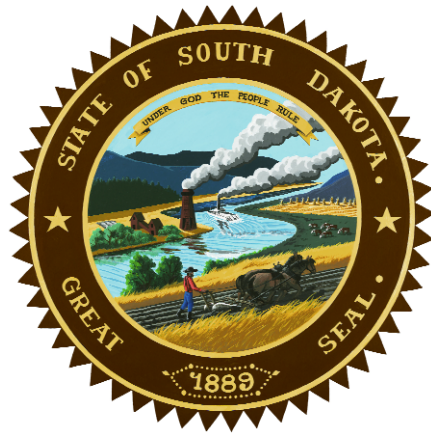
**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR COMPONENT UNITS**  
**June 30, 2010**  
**(Expressed in Thousands)**

	Business-type Activities			
	Finance Authority	CREP Program	Value Added Finance Authority	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,945	\$ 97	\$ 955	\$ 2,997
Receivables:				
Interest and Dividends	158	6	3	167
Loans and Notes (Net)	1,607	8	140	1,755
Other (Net)		2		2
Investments	2,376			2,376
Deferred Fiscal Charges and Other Assets	56			56
Total Current Assets	6,142	113	1,098	7,353
Investments	853	366		1,219
Restricted Assets:				
Cash and Cash Equivalents	11			11
Investments	6,368			6,368
Other Noncurrent Assets (net)	23,768	65	656	24,489
Total Assets	37,142	544	1,754	39,440
Liabilities				
Current Liabilities:				
Accounts Payable and Other Liabilities	23	2		25
Bonds, Notes and Leases Payable	1,408		52	1,460
Accrued Interest Payable	327		8	335
Deferred Revenue		23		23
Other Current Liabilities	114			114
Total Current Liabilities	1,872	25	60	1,957
Noncurrent Liabilities:				
Bonds, Notes and Leases Payable	24,660		1,223	25,883
Other Noncurrent Liabilities	1,404			1,404
Total Noncurrent Liabilities	26,064		1,223	27,287
Total Liabilities	27,936	25	1,283	29,244
Net Assets				
Restricted For:				
Debt Service	6,379			6,379
Unrestricted	2,827	519	471	3,817
Total Net Assets	\$ 9,206	\$ 519	\$ 471	\$ 10,196

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**NONMAJOR COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2010**  
**(Expressed in Thousands)**

	Business-type Activities			Total
	Finance Authority	CREP Program	Value Added Finance Authority	
Operating Revenue:				
Use of Money and Property	\$ 1,537	\$ 9	\$ 36	\$ 1,582
Total Operating Revenue	1,537	9	36	1,582
Operating Expenses:				
Personal Services and Benefits		54		54
Contractual Services	78	15		93
Other	62			62
Interest	1,413	1		1,414
Depreciation/Amortization		4		4
Total Operating Expenses	1,553	74	0	1,627
Operating Income (Loss)	(16)	(65)	36	(45)
Nonoperating Revenue (Expenses):				
Interest Income	121	9	6	136
Interest Expense			(12)	(12)
Grant and Other Income			15	15
Total Nonoperating Revenue (Expenses)	121	9	9	139
Change in Net Assets	105	(56)	45	94
Net Assets At Beginning of Year	9,101	575	426	10,102
Net Assets at End of Year	\$ 9,206	\$ 519	\$ 471	\$ 10,196





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# *STATISTICAL SECTION*

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**State of South Dakota**  
**Net Assets by Component,**  
**Last Nine Fiscal Years**  
(accrual basis of accounting, dollars in thousands)

	Fiscal Year			
	2010	2009	2008	2007
Governmental activities:				
Invested in capital assets, net of related debt	\$ 3,211,673	\$ 3,101,101	\$ 3,053,427	\$ 2,947,980
Restricted	1,004,704	897,491	1,032,035	1,091,917
Unrestricted	79,854	67,523	67,587	70,308
Total governmental activities net assets	<u>\$ 4,296,231</u>	<u>\$ 4,066,115</u>	<u>\$ 4,153,049</u>	<u>\$ 4,110,205</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 4,863	\$ 2,299	\$ 2,565	\$ 2,829
Restricted	2,138	302,713	284,272	284,322
Unrestricted	445,444	102,607	122,595	94,300
Total business-type activities net assets	<u>\$ 452,445</u>	<u>\$ 407,619</u>	<u>\$ 409,432</u>	<u>\$ 381,451</u>
Primary government				
Invested in capital assets, net of related debt	\$ 3,216,536	\$ 3,103,400	\$ 3,055,992	\$ 2,950,809
Restricted	1,006,842	1,200,204	1,316,307	1,376,239
Unrestricted	525,298	170,130	190,182	164,608
Total primary government net assets	<u>\$ 4,748,676</u>	<u>\$ 4,473,734</u>	<u>\$ 4,562,481</u>	<u>\$ 4,491,656</u>

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

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2002-2010).

**Note:** (a) The State of South Dakota implemented GASB 34 beginning with the FY 2002 CAFR. To be consistent with reporting changes, statistical data will be reported back to FY 2002.  
(b) The increase in restricted net assets from FY 2005 to FY 2006 was primarily due to implementation of GASB 46 - Net Assets Restricted by Enabling Legislation.

**State of South Dakota**  
**Changes in Net Assets,**  
**Last Nine Fiscal Years**  
(accrual basis of accounting, dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>									
Governmental Activities:									
General Government	\$ 146,193	\$ 170,900	\$ 175,272	\$ 194,266	\$ 175,826	\$ 131,411	\$ 131,737	\$ 140,681	\$ 138,637
Education - Elementary, Secondary and Vocational Schools	212,919	195,534	200,226	186,599	191,460	176,700	156,652	143,229	142,256
Education - State Support to Higher Education	182,681	196,007	170,348	160,725	149,040	143,358	137,028	133,337	131,462
Health, Human and Social Services	1,337,922	1,200,436	1,127,618	1,043,771	1,012,533	978,950	903,644	876,202	837,325
Law, Justice, Public Protection and Regulation	241,217	243,805	233,676	232,526	212,600	200,024	180,802	169,792	148,004
Agriculture and Natural Resources	130,943	118,686	114,783	123,135	109,904	100,275	96,077	101,497	95,732
Commerce and Regulation	-	-	-	-	-	-	-	-	13,351
Economic Resources	52,966	45,006	47,226	39,371	58,235	42,419	37,260	36,763	28,170
Transportation	457,081	408,482	316,113	362,680	316,125	320,379	336,259	290,739	340,394
Intergovernmental - Payments to School Districts	405,947	400,162	376,843	346,582	338,008	337,507	326,559	312,665	322,290
Intergovernmental - Revenue Sharing	103,425	99,064	103,633	101,669	99,171	87,105	82,878	83,945	80,434
Unallocated Interest Expense	19,820	21,514	22,805	23,191	23,998	24,599	25,410	22,281	8,736
Unallocated Depreciation	58	58	58	58	58	53	53	70	70
Total Governmental activities expenses	3,291,172	3,099,654	2,888,601	2,814,573	2,686,958	2,542,780	2,414,359	2,311,201	2,286,861
Business-type activities:									
Lottery	35,411	32,767	33,419	31,404	32,409	27,516	28,034	23,873	21,981
Clean Water State Revolving	4,455	4,777	4,486	3,996	3,286	1,114	1,616	1,500	1,466
Drinking Water State Revolving	5,066	3,253	2,855	2,720	2,574	1,976	1,253	899	860
Other	125,993	89,451	54,688	56,247	60,613	63,057	61,464	59,853	54,267
Total business-type activities expenses	170,925	130,248	95,448	94,367	98,882	93,663	92,367	86,125	78,574
Total primary government expenses	\$ 3,462,097	\$ 3,229,902	\$ 2,984,049	\$ 2,908,940	\$ 2,785,840	\$ 2,636,443	\$ 2,506,726	\$ 2,397,326	\$ 2,365,435
<b>Program Revenues</b>									
Governmental Activities:									
Charges for Services:									
General Government	\$ 166,457	\$ 158,248	\$ 147,597	\$ 142,225	\$ 137,188	\$ 130,213	\$ 124,877	\$ 119,522	\$ 111,597
Education - Elementary, Secondary and Vocational Schools	6,204	2,489	3,451	4,137	4,055	2,024	1,776	2,209	2,720
Education - State Support to Higher Education	-	-	-	-	-	-	-	-	-
Health, Human and Social Services	36,758	25,865	25,858	25,506	30,665	25,589	25,104	24,125	19,293
Law, Justice, Public Protection and Regulation	57,213	50,888	50,335	49,435	44,624	42,534	38,491	39,610	12,300
Agriculture and Natural Resources	64,940	61,572	65,783	54,403	52,962	48,436	53,609	47,313	45,743
Commerce and Regulation	-	-	-	-	-	-	-	-	26,164
Economic Resources	1,796	2,379	2,011	1,788	2,183	1,752	1,806	1,660	727
Transportation	6,301	6,052	6,815	6,007	13,718	8,510	9,177	5,742	5,052
Operating grants and contributions	1,768,957	1,447,753	1,246,925	1,258,548	1,205,317	1,197,637	1,134,512	1,108,871	1,043,588
Capital grants and contributions	2,275	2,519	25,395	1,000	6,570	6,564	922	2,734	1,784
Total governmental activities program revenues	2,110,901	1,757,765	1,574,170	1,543,049	1,497,282	1,463,259	1,390,274	1,351,786	1,268,968
Business-type activities:									
Charges for Services:									
Lottery	154,669	152,590	156,241	152,697	151,647	143,976	144,091	135,989	131,324
Clean Water State Revolving	5,781	4,954	4,826	4,479	3,659	3,441	3,152	3,166	3,002
Drinking Water State Revolving	3,997	3,696	3,582	3,460	2,773	2,102	1,585	1,009	942
Other	119,048	60,925	59,152	54,166	57,684	50,952	45,577	43,295	39,405
Operating grants and contributions	50,927	26,272	21,879	26,262	30,098	22,606	31,995	19,846	40,133
Total business-type activities program revenues	334,422	248,437	245,680	241,064	245,861	223,077	226,400	203,305	214,806
Total primary government program revenues	\$ 2,445,323	\$ 2,006,202	\$ 1,819,850	\$ 1,784,113	\$ 1,743,143	\$ 1,686,336	\$ 1,616,674	\$ 1,555,091	\$ 1,483,774

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

(accrual basis of accounting, dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (1,180,271)	\$ (1,341,889)	\$ (1,314,431)	\$ (1,271,524)	\$ (1,189,676)	\$ (1,079,521)	\$ (1,024,085)	\$ (959,415)	\$ (1,017,893)
Business-type activities	163,497	118,189	150,232	146,697	146,979	129,414	134,033	117,180	136,232
Total primary government net (expense)/revenue	<u>\$ (1,016,774)</u>	<u>\$ (1,223,700)</u>	<u>\$ (1,164,199)</u>	<u>\$ (1,124,827)</u>	<u>\$ (1,042,697)</u>	<u>\$ (950,107)</u>	<u>\$ (890,052)</u>	<u>\$ (842,235)</u>	<u>\$ (881,661)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes									
Sales taxes	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,705	\$ 488,742	\$ 471,025
Motor fuel taxes	127,807	124,442	125,005	146,851	145,415	153,846	156,212	156,029	125,252
Contractors excise taxes	85,973	71,533	79,137	81,069	76,979	66,555	60,322	56,852	53,449
Bank card and franchise taxes	16,674	55,260	62,036	76,497	65,187	51,281	47,458	46,847	41,784
Other taxes	273,535	261,176	264,944	211,452	183,236	184,452	179,866	181,509	198,776
Investment Earnings	101,246	(91,586)	(18,946)	137,568	60,956	81,543	54,190	74,953	53,422
Gain on sale of capital assets	526	919	1,135	1,305	42,344	1,747	398	877	1,048
Miscellaneous	36,625	52,288	41,805	39,667	35,493	32,526	33,854	32,245	31,428
Transfers	118,671	120,002	122,251	120,065	117,703	118,507	112,762	111,906	108,925
Total governmental activities	<u>1,424,203</u>	<u>1,269,686</u>	<u>1,345,490</u>	<u>1,439,607</u>	<u>1,324,543</u>	<u>1,245,104</u>	<u>1,169,767</u>	<u>1,149,960</u>	<u>1,085,109</u>
Business-type activities:									
Transfers	(118,671)	(120,002)	(122,251)	(120,065)	(117,703)	(118,507)	(112,762)	(111,906)	(108,925)
Total business-type activities	<u>(118,671)</u>	<u>(120,002)</u>	<u>(122,251)</u>	<u>(120,065)</u>	<u>(117,703)</u>	<u>(118,507)</u>	<u>(112,762)</u>	<u>(111,906)</u>	<u>(108,925)</u>
Total primary government	<u>\$ 1,305,532</u>	<u>\$ 1,149,684</u>	<u>\$ 1,223,239</u>	<u>\$ 1,319,542</u>	<u>\$ 1,206,840</u>	<u>\$ 1,126,597</u>	<u>\$ 1,057,005</u>	<u>\$ 1,038,054</u>	<u>\$ 976,184</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ 243,932	\$ (72,203)	\$ 31,059	\$ 168,083	\$ 134,867	\$ 165,583	\$ 145,682	\$ 190,545	\$ 67,216
Business-type activities	44,826	(1,813)	27,981	26,632	29,276	10,907	21,271	5,274	27,307
Total primary government	<u>\$ 288,758</u>	<u>\$ (74,016)</u>	<u>\$ 59,040</u>	<u>\$ 194,715</u>	<u>\$ 164,143</u>	<u>\$ 176,490</u>	<u>\$ 166,953</u>	<u>\$ 195,819</u>	<u>\$ 94,523</u>

**Source** South Dakota Comprehensive Annual Financial Reports (FY 2002-2010).

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

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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b><u>General Fund</u></b>									
Reserved	\$ 21,104	\$ 21,215	\$ 31,139	\$ 32,581	\$ 22,993	\$ 23,326	\$ 18,771	\$ 19,202	\$ 18,098
Unreserved	133,962	131,363	138,883	142,809	142,505	128,781	118,800	120,297	96,354
Total General Fund	<u>\$ 155,066</u>	<u>\$ 152,578</u>	<u>\$ 170,022</u>	<u>\$ 175,390</u>	<u>\$ 165,498</u>	<u>\$ 152,107</u>	<u>\$ 137,571</u>	<u>\$ 139,499</u>	<u>\$ 114,452</u>
<b><u>All other Governmental Funds</u></b>									
Reserved	\$ 873,931	\$ 872,653	\$ 886,761	\$ 848,892	\$ 836,770	\$ 190,036	\$ 203,256	\$ 181,359	\$ 159,383
Unreserved, Reported in:									
Special Revenue Funds	332,270	232,200	342,384	446,152	394,636	1,070,412	1,056,614	1,005,812	690,248
Capital Projects Funds	148	2,484	2,460	7,084	10,068	3,140	420	492	231
Total All Other Governmental Funds	<u>\$ 1,206,349</u>	<u>\$ 1,107,337</u>	<u>\$ 1,231,605</u>	<u>\$ 1,302,128</u>	<u>\$ 1,241,474</u>	<u>\$ 1,263,588</u>	<u>\$ 1,260,290</u>	<u>\$ 1,187,663</u>	<u>\$ 849,862</u>

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2002-2010).

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



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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>									
Taxes									
Sales & Use	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,706	\$ 488,742	\$ 471,025
Insurance Company	62,499	61,669	60,930	55,900	55,810	56,295	52,623	48,545	45,440
Liquor	14,247	14,782	13,044	13,138	12,602	12,349	12,281	10,899	11,219
Cigarette	62,918	56,607	57,160	43,998	26,689	26,246	26,270	20,336	17,466
Bank Franchise	16,674	55,260	62,036	76,497	65,187	51,281	47,458	46,847	41,784
Contractor's Excise	85,973	71,533	79,137	81,069	76,980	66,555	60,322	56,853	53,449
Severance	9,229	7,972	6,847	5,160	4,422	3,060	1,989	2,027	3,019
Other Tobacco	4,912	6,273	5,368	2,230	1,460	1,456	1,341	1,330	1,258
Motor Fuel & Vehicle	184,953	179,125	187,654	176,788	171,095	179,424	181,935	177,828	173,805
Other	62,584	59,190	59,005	61,088	56,573	59,462	59,639	76,573	71,823
Licenses, Permits & Fees	197,006	180,337	175,989	166,133	159,597	150,695	144,392	139,700	136,917
Fines, Forfeits & Penalties	11,306	11,327	11,141	8,637	7,397	8,601	7,549	6,723	6,845
Use of Money & Property	123,020	(77,407)	(2,123)	160,057	86,306	96,156	66,892	92,569	63,558
Sales & Services	32,659	35,114	33,885	31,764	27,204	26,645	26,267	24,843	19,111
Admin. Programs	1,745,559	1,434,664	1,222,191	1,232,755	1,195,842	1,185,536	1,125,402	1,093,374	1,027,860
Tobacco Settlement	25,175	29,986	27,616	21,369	20,415	22,239	21,911	25,603	-
Other Revenue	33,437	27,858	26,215	27,864	32,442	24,409	24,817	21,348	46,427
Total Revenues	3,335,297	2,829,942	2,694,218	2,789,580	2,597,251	2,525,056	2,385,794	2,334,140	2,191,006
<b>Expenditures</b>									
General Government	71,532	76,533	76,431	79,349	76,734	71,221	63,634	62,544	61,705
Education	816,454	787,670	743,024	690,874	675,100	653,690	616,440	586,041	592,498
Health, Human & Social Services	1,364,846	1,222,021	1,124,311	1,038,035	1,010,287	976,328	903,694	874,339	834,224
Law, Justice, Public Protection & Regulation	263,499	240,601	231,559	224,404	232,803	211,421	195,300	175,346	149,657
Agriculture & Natural Resources	132,683	125,640	123,257	123,367	109,781	100,920	97,095	107,985	97,297
Commerce & Regulation	-	-	-	-	-	-	-	-	13,279
Economic Resources	52,872	44,940	46,893	39,124	57,981	42,436	37,354	36,831	28,133
Transportation	495,796	448,159	400,200	492,073	477,845	440,681	390,903	390,628	411,526
State Shared Revenue	103,425	99,064	103,633	101,669	99,171	87,105	82,878	83,945	80,434
Capital Outlay	2,336	2,172	4,622	8,982	-	-	1	36	5
Debt Service:									
Principal	22,958	26,951	24,582	21,419	15,704	16,955	16,528	18,653	11,428
Interest	18,550	20,174	21,542	21,832	22,980	23,501	24,426	19,778	7,743
Bond Issuance Costs	-	-	-	-	-	-	-	1,618	-
Total Expenditures	3,344,951	3,093,925	2,900,054	2,841,128	2,778,386	2,624,258	2,428,253	2,357,744	2,287,929
Excess of Revenues Over (Under) Expenditures	(9,654)	(263,983)	(205,836)	(51,548)	(181,135)	(99,202)	(42,459)	(23,604)	(96,923)
<b>Other Financing Sources (Uses):</b>									
Bonds Issued	-	2,175	-	5,950	10,000	12,635	-	278,045	-
Discount on Bond Issuances	-	-	-	-	-	(80)	-	(5,472)	-
Proceeds of Refunding Bonds	-	-	-	25,855	2,864	-	-	1,263	444
Payments on Advance Refundings	-	-	-	(26,715)	(2,932)	-	-	(1,274)	-
Premiums on Bond Issuance	-	44	-	15	280	-	-	-	-
Premiums on Refunding Bonds	-	-	-	1,165	149	10	-	60	-
Proceeds from Sale of Capital Assets	4,963	3,296	2,757	2,707	10,799	-	-	-	-
Insurance Proceeds	809	-	-	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-	-	935	-
Transfers In	413,897	383,285	436,670	370,854	415,783	361,842	295,628	575,562	378,226
Transfers Out	(294,699)	(265,348)	(311,538)	(257,737)	(298,868)	(244,727)	(183,247)	(464,079)	(270,322)
Net Other Financing Sources (Uses)	124,970	123,452	127,889	122,094	138,075	129,680	112,381	385,040	108,348
<b>Special Item</b>									
Sale of Railroad Infrastructure	-	-	-	-	34,337	-	-	-	-
Total Special Items	-	-	-	-	34,337	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>\$ 115,316</b>	<b>\$ (140,531)</b>	<b>\$ (77,947)</b>	<b>\$ 70,546</b>	<b>\$ (8,723)</b>	<b>\$ 30,478</b>	<b>\$ 69,922</b>	<b>\$ 361,436</b>	<b>\$ 11,425</b>
<b>Debt Sevice as a Percentage of</b>									
<b>Noncapital Expenditures</b>	<b>1.32%</b>	<b>1.60%</b>	<b>1.71%</b>	<b>1.64%</b>	<b>1.53%</b>	<b>1.68%</b>	<b>1.79%</b>	<b>1.83%</b>	<b>0.89%</b>

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2002-2010).

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



**State of South Dakota**  
**Taxable Sales by Industry,**  
**Last Nine Fiscal Years**

(dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Taxable Sales by Industry</b>									
Agriculture, Forestry, and Fishing	\$ 206,139	\$ 206,927	\$ 199,715	\$ 178,366	\$ 170,983	\$ 157,489	\$ 149,210	\$ 130,298	\$ 121,973
Mining	62,308	106,421	87,996	79,841	73,130	48,785	36,058	33,672	34,027
Construction	20,345	38,652	34,042	18,338	20,626	16,761	16,041	25,046	28,745
Manufacturing	592,309	642,782	658,846	675,156	611,195	482,265	400,590	380,073	350,742
Transportation and Public Utilities	2,536,794	2,464,786	2,324,638	2,010,946	1,853,628	1,743,112	1,756,328	1,527,025	1,436,501
Wholesale Trade	1,131,812	1,262,986	1,253,201	1,151,922	1,115,834	998,408	1,434,049	1,262,450	1,337,265
Retail Trade	8,588,168	8,654,677	8,572,397	8,080,893	7,870,890	7,510,802	6,506,744	6,145,005	5,981,705
Finance, Insurance, and Real Estate	307,204	301,474	320,208	318,811	317,054	289,072	265,752	261,591	223,321
Services	2,773,413	2,784,114	2,721,315	2,561,395	2,346,888	2,219,300	2,134,617	2,053,825	1,976,614
Public Administration	1,584	1,629	1,456	1,337	1,307	1,219	560	549	440
Nonclassifiable Establishments	6	8	36	8	9	5	117	5	-
<b>Totals</b>	<b>\$ 16,220,082</b>	<b>\$ 16,464,456</b>	<b>\$ 16,173,850</b>	<b>\$ 15,077,013</b>	<b>\$ 14,381,544</b>	<b>\$ 13,467,218</b>	<b>\$ 12,700,066</b>	<b>\$ 11,819,539</b>	<b>\$ 11,491,333</b>
Direct Sales Tax Rate	4.00%	4.00%	4.00%	4.00%	3.98%	3.97%	3.97%	3.98%	3.97%

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

**Notes:**

- (a) Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources.
- (b) Taxable sales: This is the amount of sales and use taxable sales subject to state tax or reservation tax. No Contractors Excise taxes are included.
- (c) Prior to 2007, whenever there was less than 3 licenses in any one classification, the information was combined into the the "Nonclassifiable Establishments" category.
- (d) Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.
- (e) The taxable figures could include amended returns that were due in prior periods.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

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

<b>Fiscal Year 2010</b>				
	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable sales</u>	<u>Percent of Total</u>
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%
<b>Total</b>	<b>74,975</b>	<b>100.00%</b>	<b>\$ 16,220,082</b>	<b>100.00%</b>

<b>Fiscal Year 2007</b>				
	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable sales</u>	<u>Percent of Total</u>
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%
<b>Total</b>	<b>68,843</b>	<b>100.00%</b>	<b>\$ 15,077,013</b>	<b>100.00%</b>

<b>Fiscal Year 2004</b>				
	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable sales</u>	<u>Percent of Total</u>
Agriculture, Forestry, and Fishing	2,409	3.92%	\$ 149,210	1.18%
Mining	136	0.22%	36,058	0.28%
Construction	495	0.81%	16,041	0.13%
Manufacturing	1,769	2.88%	400,590	3.15%
Transportation and Public Utilities	3,568	5.81%	1,756,328	13.83%
Wholesale Trade	4,820	7.85%	1,434,049	11.29%
Retail Trade	21,780	35.48%	6,506,744	51.24%
Finance, Insurance, and Real Estate	1,516	2.47%	265,752	2.09%
Services	24,864	40.51%	2,134,617	16.81%
Public Administration	23	0.04%	560	0.00%
Nonclassifiable Establishments	4	0.01%	117	0.00%
<b>Total</b>	<b>61,384</b>	<b>100.00%</b>	<b>\$ 12,700,066</b>	<b>100.00%</b>

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

**Notes:**

- Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources.
- Taxable sales: This is the amount of sales and use taxable sales subject to state tax or reservation tax. No Contractors Excise taxes are included.
- Prior to 2007, whenever there was less than 3 licenses in any one classification, the information was combined into the the "Nonclassifiable Establishments" category.
- Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.
- The taxable figures could include amended returns that were due in prior periods.
- To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

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%

Fiscal Year 2006			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,711	4.21%	\$ 170,983	1.19%
153	0.24%	73,130	0.51%
502	0.78%	20,626	0.14%
2,120	3.29%	611,195	4.25%
2,722	4.23%	1,853,628	12.89%
3,932	6.11%	1,115,834	7.76%
23,505	36.50%	7,870,890	54.73%
1,678	2.61%	317,054	2.21%
27,037	41.98%	2,346,888	16.32%
34	0.05%	1,307	0.01%
1	0.00%	9	0.00%
64,395	100.00%	\$ 14,381,544	100.00%

Fiscal Year 2005			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,599	3.95%	\$ 157,489	1.169%
140	0.21%	48,785	0.362%
482	0.73%	16,761	0.124%
1,973	3.00%	482,265	3.581%
3,564	5.41%	1,743,112	12.943%
4,769	7.24%	998,408	7.414%
23,974	36.42%	7,510,802	55.771%
1,623	2.47%	289,072	2.146%
26,675	40.52%	2,219,300	16.479%
30	0.05%	1,219	0.009%
2	0.00%	5	0.000%
65,831	100.00%	\$ 13,467,218	100.00%

Fiscal Year 2003			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,329	3.86%	\$ 130,298	1.10%
138	0.23%	33,672	0.29%
576	0.96%	25,046	0.21%
1,671	2.77%	380,073	3.22%
3,656	6.05%	1,527,025	12.92%
4,821	7.98%	1,262,450	10.68%
21,316	35.30%	6,145,005	51.99%
1,515	2.51%	261,591	2.21%
24,338	40.30%	2,053,825	17.38%
26	0.04%	549	0.01%
3	0.00%	5	0.00%
60,389	100.00%	\$ 11,819,539	100.00%

Fiscal Year 2002			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,197	3.71%	\$ 121,973	1.06%
132	0.22%	34,027	0.30%
533	0.90%	28,745	0.25%
1,700	2.87%	350,742	3.05%
3,551	6.00%	1,436,501	12.50%
5,083	8.59%	1,337,265	11.64%
20,939	35.37%	5,981,705	52.05%
1,438	2.43%	223,321	1.94%
23,596	39.86%	1,976,614	17.20%
25	0.04%	440	0.00%
2	0.01%	-	0.00%
59,196	100.00%	\$ 11,491,333	100.00%

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

(dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities:									
Revenue Bonds	\$ 260,168	\$ 280,501	\$ 302,663	\$ 324,250	\$ 336,976	\$ 339,676	\$ 341,468	\$ 352,540	\$ 96,306
Trust Certificates	21,895	24,435	26,870	29,730	32,465	35,080	37,575	39,955	42,210
Capital Leases	25,480	29,632	30,971	30,992	30,925	34,413	34,729	34,255	38,368
Loans	-	-	-	-	-	-	-	-	44
Total Governmental Activities	307,543	334,568	360,504	384,972	400,366	409,169	413,772	426,750	176,928
Business-type Activities:									
Revenue Bonds	\$ 126,510	\$ 131,097	\$ 135,525	99,798	102,322	52,272	28,853	30,284	31,359
Capital Leases	-	-	-	-	4	13	21	29	25
Total Governmental Activities	126,510	131,097	135,525	99,798	102,326	52,285	28,874	30,313	31,384
Total Primary Government	\$ 434,053	\$ 465,665	\$ 496,029	\$ 484,770	\$ 502,692	\$ 461,454	\$ 442,646	\$ 457,063	\$ 208,312
South Dakota Total Personal Income	\$ 31,186,750	\$ 31,274,250	\$ 31,090,547	\$ 29,034,171	\$ 26,587,390	\$ 25,834,413	\$ 24,888,315	\$ 23,339,768	\$ 21,383,198
Debt as a Percentage of Personal Income	1.4%	1.5%	1.6%	1.7%	1.9%	1.8%	1.8%	2.0%	1.0%
South Dakota Population (in thousands)	814	812	804	796	787	779	774	766	762
Long-Term Debt per Capita	\$ 533.23	\$ 573.48	\$ 616.95	\$ 609.01	\$ 638.74	\$ 592.37	\$ 571.89	\$ 596.69	\$ 273.38

**Source:** Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2002-2010)

Total Personal Income and Population data: US Bureau of Economic Analysis

**Note:** (a) South Dakota Total Personal Income figure for 2010 is preliminary.

(b) Data for Total Personal Income for 2009 has been revised.

(c) Detail about the State's debt can be found in Note 14 of the financial statements.

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

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

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

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

(dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue Bonds and Trust Certificates									
- Building Authority									
Revenue - lease payments	\$ 14,857	\$ 15,940	\$ 17,003	\$ 16,778	\$ 16,989	\$ 17,182	\$ 17,811	\$ 18,425	\$ 19,119
Less: Operating expenses	-	-	-	-	-	-	-	-	-
Net available revenue	\$ 14,857	\$ 15,940	\$ 17,003	\$ 16,778	\$ 16,989	\$ 17,182	\$ 17,811	\$ 18,425	\$ 19,119
Debt service									
Principal	11,218	11,196	11,791	11,479	11,196	11,255	11,265	11,288	11,408
Interest	3,955	4,558	5,071	4,003	5,844	5,985	6,121	7,125	7,757
Total	\$ 15,173	\$ 15,754	\$ 16,862	\$ 15,482	\$ 17,040	\$ 17,240	\$ 17,386	\$ 18,413	\$ 19,165
Coverage	0.98	1.01	1.01	1.08	1.00	1.00	1.02	1.00	1.00
Revenue Bonds									
-Educational Enhancement Funding Corp.									
Revenue -									
Tobacco settlement	\$ 22,751	\$ 31,161	\$ 27,679	\$ 25,071	\$ 19,471	\$ 22,324	\$ 22,056	\$ 25,603	
Investment Earnings	1,126	1,204	1,437	1,401	1,509	1,258	1,113	943	
Less: Operating expenses	149	161	149	158	148	176	179	145	
Net available revenue	\$ 23,728	\$ 32,204	\$ 28,967	\$ 26,314	\$ 20,832	\$ 23,406	\$ 22,990	\$ 26,401	
Debt service									
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,205	
Interest	14,583	15,615	16,480	16,841	17,134	17,522	17,868	12,624	
Total	\$ 14,583	\$ 15,615	\$ 16,480	\$ 16,841	\$ 17,134	\$ 17,522	\$ 17,868	\$ 14,829	
Coverage	1.63	2.06	1.76	1.56	1.22	1.34	1.29	1.78	
Revenue Bonds									
-Clean Water State Revolving Fund									
Revenue:									
Loan Repayments	\$ 16,943	\$ 16,089	\$ 14,689	\$ 10,780	\$ 9,702	\$ 11,593	\$ 9,460	\$ 11,105	\$ 11,816
Investment Income	2,722	2,600	2,258	3,104	4,046	3,048	2,972	2,930	2,851
Other Income	1,301	1,242	1,212	1,122	866	793	694	690	678
Less: Operating expenses	3,240	779	1,710	1,448	1,219	485	471	286	109
Net available revenue	\$ 17,726	\$ 19,152	\$ 16,449	\$ 13,558	\$ 13,395	\$ 14,949	\$ 12,655	\$ 14,439	\$ 15,236
Debt service									
Principal	\$ 2,820	\$ 2,730	\$ 2,635	\$ 1,210	\$ 1,165	\$ 150	\$ 1,125	\$ 945	\$ 900
Interest	2,748	2,562	2,477	2,376	1,709	260	1,007	1,061	1,055
Total	\$ 5,568	\$ 5,292	\$ 5,112	\$ 3,586	\$ 2,874	\$ 410	\$ 2,132	\$ 2,006	\$ 1,955
Coverage	3.18	3.62	3.22	3.78	4.66	36.46	5.94	7.20	7.79
Revenue Bonds									
-Drinking Water State Revolving Fund									
Revenue:									
Loan Repayments	\$ 19,404	\$ 12,824	\$ 10,599	\$ 9,230	\$ 5,322	\$ 4,348	\$ 5,816	\$ 4,297	\$ 2,275
Investment Income	1,681	1,780	1,641	1,828	2,055	1,995	520	594	463
Other Income	886	897	868	835	678	511	388	217	205
Less: Operating expenses	88	57	70	50	-	-	-	-	-
Net available revenue	\$ 21,883	\$ 15,444	\$ 13,038	\$ 11,843	\$ 8,055	\$ 6,854	\$ 6,724	\$ 5,108	\$ 2,943
Debt service									
Principal	\$ 1,815	\$ 1,745	\$ 1,685	\$ 1,360	\$ 440	\$ 415	\$ 400	\$ 225	\$ 215
Interest	2,249	2,223	2,142	2,074	2,147	1,732	511	527	474
Total	\$ 4,064	\$ 3,968	\$ 3,827	\$ 3,434	\$ 2,587	\$ 2,147	\$ 911	\$ 752	\$ 689
Coverage	5.38	3.89	3.41	3.45	3.11	3.19	7.38	6.79	4.27

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

- Note:** (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.
- (b) For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, \$62,867,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2010.
- (c) Debt coverage on Clean Water bonds in FY 2005 is 36.46% because all but one previous bond issue was refunded during that fiscal year, so there was not any debt services payment on those bonds during that fiscal year.
- (d) The Educational Enhancement Funding Corporation was created in FY 2003.
- (e) All funds are presented on a accrual basis except for the Building Authority Fund which is presented on a cash basis.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

## ***POPULATION (THOUSANDS)***

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>WEST N. CENTRAL*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2010	308,746	0.6%	20,505	0.8%	814	0.2%
2009	307,007	0.9%	20,336	0.6%	812	0.9%
2008	304,375	0.9%	20,206	0.7%	805	1.0%
2007	301,580	1.0%	20,060	0.7%	797	1.0%
2006	298,593	1.0%	19,916	0.7%	789	1.2%
2005	295,753	0.9%	19,772	0.6%	780	0.8%
2004	293,046	0.9%	19,663	0.6%	774	0.9%
2003	290,326	0.9%	19,551	0.5%	767	0.7%
2002	287,804	1.0%	19,461	0.5%	762	0.4%
2001	285,082	1.3%	19,371	0.7%	759	0.5%

**Note:** Midyear (July 1) population estimates. Revised estimates for 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and used 2010 census data released March 2011. With each new release of July 1 population estimates, the Census Bureau Revises estimates for years back to the last census.

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

**Source:** U.S. Bureau of the Census, Population Division

## ***TOTAL PERSONAL INCOME (MILLIONS)***

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>PLAINS*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2009	\$ 12,165,474	-1.7%	\$ 787,406	-1.8%	\$ 31,040	-1.7%
2008r	12,379,745	4.0%	801,534	5.8%	31,576	8.0%
2007r	11,899,853	5.7%	757,558	6.0%	29,228	10.0%
2006r	11,256,516	7.4%	714,501	6.1%	26,582	2.9%
2005r	10,476,669	5.5%	673,520	3.4%	25,829	3.8%
2004r	9,928,790	6.0%	651,446	5.3%	24,879	6.7%
2003r	9,369,072	3.5%	618,856	4.3%	23,313	9.1%
2002r	9,054,702	2.0%	593,412	2.5%	21,359	1.1%
2001r	8,878,830	5.4%	579,129	6.1%	21,121	8.7%
2000	8,422,074	8.0%	545,882	6.7%	19,438	5.8%

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

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

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, September 2010



## ***UNEMPLOYMENT RATE*** ***(Seasonally Adjusted)***

<b>YEAR</b>	<b>SOUTH DAKOTA</b>	<b>UNITED STATES</b>
*2010	4.6%	9.6%
2009	4.7%	9.3%
2008	3.1%	5.8%
2007	2.9%	4.6%
2006	3.1%	4.6%
2005	3.6%	5.1%
2004	3.7%	5.5%
2003	3.5%	6.0%
2002	3.3%	5.8%
2001	3.1%	4.7%

\* Preliminary.

Estimates for 2001 through 2009 have been recently updated.

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

## ***PER CAPITA PERSONAL INCOME***

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>PLAINS*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2009	\$ 39,626	-1.4%	\$ 39,985	2.3%	\$ 38,208	-1.2%
2008	40,208	4.3%	39,082	6.8%	38,661	8.4%
2007	38,564	5.0%	36,587	5.9%	35,664	10.6%
2006r	36,744	6.0%	34,557	4.3%	32,241	0.2%
2005r	34,650	4.6%	33,123	3.3%	32,172	4.4%
2004r	33,123	5.1%	32,078	4.8%	30,813	5.6%
2003r	31,504	2.2%	30,618	3.3%	29,191	8.0%
2002r	30,821	0.8%	29,638	2.0%	27,029	0.4%
2001r	30,574	2.4%	29,052	2.6%	26,922	4.7%
2000r	29,845	6.8%	28,326	5.9%	25,721	5.1%

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

r = Revised

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

**Source:** U.S. Department of Commerce, September 2010

**State of South Dakota  
Top Ten Employers  
2009 as Compared to 2000**

<b>2009 Rank</b>	<b>Employer</b>	<b>South Dakota Employees</b>	<b>Percentage of Total South Dakota Employment</b>
1	South Dakota State Government*	14,349	3.7%
2	Federal Government (Statewide)	11,649	3.0%
3	Sioux Falls MSA Local Government**	8,574	2.2%
4	Sanford System-Wide (SD)	8,522	2.2%
5	Avera System-Wide (SD)	7,205	1.9%
6	Sanford Health - (SF)	6,424	1.6%
7	Rapid City MSA Local Government**	6,002	1.5%
8	Wal-Mart (SD)	4,844	1.2%
9	Rapid City Regional Health System-Wide (SD)	4,400	1.1%
10	Avera McKennan Hospital (SF)	4,290	1.1%
		76,259	19.6%
	Total SD Employment 2009	389,410	

\* Includes Board of Regent Employees, a component unit of the State of South Dakota

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

**Sources:** Company websites, public relations offices, SD State Govt, SF MSA Local Govt and RC MSA Local Govt Figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).

**Note:** a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.  
b) Rapid City MSA includes the following counties: Pennington and Meade.  
c) Per LMIC, school district employment data is not available.

<b>2000 Rank</b>	<b>Employer</b>	<b>South Dakota Employees</b>	<b>Percentage of Total South Dakota Employment</b>
1	South Dakota State Government*	13,193	3.6%
2	Federal Government (Statewide)	11,343	3.1%
3	Sioux Falls MSA Local Government**	7,000	1.9%
4	Gateway 2000	5,500	1.5%
5	Rapid City MSA Local Government**	4,706	1.3%
6	Sioux Valley Hospital (Sioux Falls)	4,340	1.2%
7	Citibank South Dakota NA (Sioux Falls)	3,200	0.9%
8	John Morrell & Company (Sioux Falls)	3,100	0.9%
9	Avera McKennan Hospital (Sioux Falls)	2,790	0.8%
10	Rapid City Regional Hospital (Rapid City)	2,690	0.7%
		57,862	15.9%
	Total SD Employment 2000	364,083	

\* Includes Board of Regent Employees, a component unit of the State of South Dakota

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

**Sources:** FY 2001 Comprehensive Annual Financial Report. Company websites, public relations offices. SD State Govt, SF MSA Local Govt and RC MSA Local Govt Figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).

**Note:** a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.  
b) Rapid City MSA includes the following counties: Pennington and Meade.  
c) Per LMIC, school district employment data is not available.

## ***NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY<sup>1</sup>*** ***(Expressed in Thousands)***

	<b>2010p</b>	<b>2009r</b>	<b>2008r</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Natural Resources/Mining/Construction*	20.8	21.7	23.3	23.1	22.8	21.9	20.7	20.2	19.6	19.5
Manufacturing	37.7	37.9	42.7	42.0	41.6	39.8	38.9	37.7	38.4	41.0
Trade/Transportation/Utilities	81.1	80.8	82.2	81.6	80.1	78.9	77.2	76.4	76.5	77.0
<i>Wholesale Trade</i>	19.0	18.3	18.7	18.5	18.2	17.6	17.1	16.7	16.7	16.7
<i>Retail Trade</i>	49.3	49.6	50.2	50.2	49.2	49.3	48.5	48.2	48.1	48.3
<i>Trans/Warehsing/Util</i>	12.8	12.9	13.2	12.9	12.7	12.1	11.5	11.5	11.8	12.1
Information	6.8	6.7	6.9	7.2	6.9	6.8	6.7	6.8	6.8	6.8
Financial Activities	28.7	30.5	31.0	30.8	29.5	28.5	27.8	27.7	27.9	28.0
Professional/Business Svcs.	27.3	26.5	28.0	27.6	25.7	24.5	24.2	24.3	24.9	25.9
Educational/Health Services	63.7	63.6	62.0	60.0	58.5	57.4	56.5	55.4	54.0	52.6
Leisure and Hospitality	43.2	43.0	43.2	42.8	42.5	41.7	40.7	39.7	39.4	38.6
Other Services (Except Public Administration)	15.9	15.7	15.9	15.8	15.6	15.5	15.9	15.7	15.9	15.8
Government	78.5	77.7	76.2	75.6	75.3	75.3	75.0	74.6	74.2	73.4
<b>TOTAL</b>	<b>403.7</b>	<b>403.7</b>	<b>411.4</b>	<b>406.4</b>	<b>398.6</b>	<b>390.1</b>	<b>383.7</b>	<b>378.4</b>	<b>377.5</b>	<b>378.7</b>
% Change in Nonfarm Employment	0.0%	-1.9%	1.2%	2.0%	2.2%	1.7%	1.4%	0.2%	-0.3%	0.2%

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

<sup>1</sup> Based on NAICS

p = Preliminary Data; r = Revised Data

\* 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.

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

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

	<b>EXPANSIONS</b>		<b>NEW</b>		<b>TOTAL</b>	
	<b>NUMBER</b>	<b>NEW CAPITAL INVESTMENT</b>	<b>NUMBER</b>	<b>NEW CAPITAL INVESTMENT</b>	<b>NUMBER</b>	<b>NEW CAPITAL INVESTMENT</b>
2010	324	\$117.7	12	\$0.3	336	\$118.0
2009	399	\$217.0	9	\$0.0	408	\$217.0
2008	522	\$342.3	13	\$59.5	535	\$401.8
2007	528	\$733.4	8	\$2.7	536	\$736.1
2006	461	\$263.6	13	\$143.9	474	\$407.5
2005	344	\$221.0	16	\$54.1	360	\$275.1
2004	476	\$169.5	20	\$72.3	496	\$241.8
2003	496	\$191.5	21	\$206.0	517	\$397.5
2002	466	\$156.5	6	\$9.4	472	\$165.9
2001	544	\$141.6	13	\$96.5	557	\$238.1

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

**Source:** Governor's Office of Economic Development



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

Function of State Government:	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government	1,020	1,019	1,000	993	990	979	964	974	975
Health, Human, and Social Services	3,121	3,064	3,051	3,054	3,113	3,083	2,995	2,992	2,887
Law, Justice, Public Protection, and Regulation	2,130	2,119	2,131	2,110	2,081	2,012	1,969	1,950	1,989
Agriculture and Natural Resources	942	918	908	899	907	911	891	884	865
Transportation	1,004	1,000	1,015	1,012	1,024	1,020	1,007	1,027	1,035
Education	135	130	134	139	136	130	122	128	126
Economic Resources	257	199	180	168	170	168	164	162	168
State Total	8,609	8,449	8,419	8,375	8,421	8,303	8,112	8,117	8,045

**Source:** State's Budget System RB03

**Note:**

- (a) A full-time equivalent employee, or FTE, represents one full-time position, or a number of part-time or seasonal positions.
- (b) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.
- (c) The Education row for FY 2002-2009 has been restated to reflect the exclusion of Higher Education.

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

	Fiscal Year		
	2010	2009	2008
<b>General Government</b>			
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)	1,528	1,480	736
Radio Calls through Digital Network	22,188,596	21,468,474	21,885,767
Bureau of Personnel			
Health: Employees, COBRA, Retirees/Dependents	13,405 / 11,876	13,316 / 11,568	13,171 / 11,696
Bureau of Administration			
Pieces of Mail Handled/Year	9,274,640	9,687,084	9,909,143
Total Miles Driven	37,506,764	37,136,509	38,788,928
Revenue			
Total Active Business Licenses	78,919	76,367	73,456
Vehicles Registered	1,137,621	1,113,254	1,168,616
Misc. Special Tax Licenses	5,346	5,298	5,580
Lottery			
Licensed Lottery Retailers--Instant	14	129	620
Licensed Lottery Retailers--On-line	579	480	476
Legislature			
Legislative Research Council	N/A	N/A	N/A
Auditor General			
Audits Performed	58	59	56
Audits Reviewed (IPA reports)	349	286	285
School and Public Lands			
Apportion common school interest fund and income to school districts (in Thousands)	\$ 8,672	\$ 10,997	\$ 8,771
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	\$ 1,905	\$ 1,990	\$ 1,967
Secretary of State			
Business and Secured Transaction Filings	91,288	97,572	100,959
State Treasurer			
Cash Receipts (Thousands)	\$ 4,196,085	\$ 3,812,475	\$ 3,843,830
Unclaimed Property - Claims Paid	7,390	6,113	6,505
State Auditor			
Vouchers Audited	288,997	283,596	287,358
Warrants Written	451,581	473,409	507,447
<b>Health, Human, and Social Services</b>			
Social Services			
Medicaid Enrolled/Month	111,005	104,520	102,310
Long Term Care Services - Clients Served	4,346	4,347	4,359
Health			
Immunization Rate, Children 19-35 months			
4:3:1:3:3 shot series	N/A	N/A	N/A
Public Health Investigations	15,292	12,365	13,014
Labor			
State Labor Force	445,049	447,275	443,765
Unemployment Rate	4.70%	4.10%	2.80%
South Dakota Retirement System			
Budget Compared to Assets	0.057%	0.063%	0.045%
Budget Compared to Benefits	1.140%	1.180%	1.110%
Veterans Benefits and Services			
South Dakota Veteran Population	72,400	73,500	74,273
State Veterans' Home			
Average Daily Census	132	129	124
Human Services			
People with Developmental disabilities served	2,837	2,814	2,776
People with mental illness served	13,998	13,261	12,901
People with substance abuse issues served	15,131	15,338	15,146
People receiving vocational rehabilitation services	5,710	5,606	5,714

Fiscal Year					
2007	2006	2005	2004	2003	2002
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
10,347	6,273	1,732	822	624	374
740	719	615	533	381	355
22,584,630	18,719,091	14,377,144	13,200,000	7,200,000	1,000
13,133 / 11,846	13,105 / 11,713	12,853 / 11,093	12,535 / 10,856	12,344 / 10,625	12,419 / 10,370
11,638,363	9,977,094	10,286,652	10,381,413	10,053,075	10,494,749
38,180,716	39,406,852	39,017,332	37,488,578	37,197,089	37,053,900
72,315	70,685	68,691	67,219	64,839	63,222
1,129,972	1,135,960	1,102,710	1,081,123	1,052,766	1,031,453
5,672	8,030	7,977	7,532	7,319	7,182
615	609	597	589	567	569
447	407	365	353	345	348
N/A	N/A	N/A	N/A	N/A	N/A
81	69	73	83	97	78
322	293	271	308	275	260
\$ 8,453	\$ 8,265	\$ 4,297	\$ 6,649	\$ 9,219	\$ 10,381
\$ 2,026	\$ 1,753	\$ 1,464	\$ 1,275	\$ 1,820	\$ 2,100
101,215	95,518	102,162	90,387	73,792	97,641
\$ 3,705,226	\$ 3,625,844	\$ 3,402,620	\$ 3,300,787	\$ 3,091,868	\$ 2,954,343
5,084	6,138	8,398	13,410	4,376	3,180
287,076	309,479	310,579	292,110	290,140	289,321
595,412	634,882	737,425	899,687	936,117	947,737
100,393	100,274	97,810	95,043	91,123	85,516
4,419	4,452	4,642	4,634	4,792	4,720
N/A	N/A	87%	86%	81%	80%
12,922	15,416	16,711	13,080	11,716	9,146
440,030	432,442	427,374	426,196	421,980	415,903
3.00%	3.50%	3.80%	3.50%	3.00%	3.40%
0.044%	0.044%	0.049%	0.049%	0.059%	0.056%
1.220%	1.260%	1.300%	1.400%	1.500%	1.600%
73,325	74,224	75,104	75,966	78,000	77,400
119	119	122	121	123	128
2,762	2,727	2,668	2,521	2,457	2,395
12,246	11,591	10,389	9,665	9,288	9,032
15,069	14,180	16,394	16,524	17,190	16,879
6,508	6,819	6,717	6,401	6,140	6,017

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

	Fiscal Year		
	2010	2009	2008
<b>Law, Justice, Public Protection, and Regulation</b>			
Corrections			
Adult System ADP (Average Daily Population)	3,496	3,428	3,373
Avg. Daily Population on Supervision	2,385	2,311	2,379
Juvenile Institutional and Placement ADP	446	497	461
Unified Judicial System			
Felony Offenses Filings/Pending	6,126 / N/A	5,745 / 7,249	5,797 / 7,104
Class one Misdemeanor Filings/Pending	20,141 / N/A	21,896 / 23,039	22,611 / 22,924
Class two Misdemeanor Filings/Pending	124,965 / N/A	134,617 / 44,143	139,262 / 46,389
Attorney General			
New Cases Opened/Closed/Pending (thousands)	.8 / 1.3 / 2.3	.8 / 1.1 / 2.1	1.1 / .9 / 2.0
Investigations Conducted by DCI	867	772	759
Public Safety			
Patrol of Public Highways (Hours)	130,700	130,503	124,763
Driver Licenses Issued	176,153	150,056	195,900
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,441	3,391	3,368
Assigned Strength of the Air Guard	1,108	1,108	1,012
Appraiser Program			
New / Renewed licenses	18 / 354	17 / 372	22 / 354
Revenue Financial Services			
Banking Institutions Examined	538	538	553
Dealer, Broker & Investment Advisor			
Agents Licensed	62,262	61,995	63,004
Renewed & Issued Insurance			
Appointments/Licenses	269,361	254,327	223,240
Revenue Boards and Commissions			
New & Renewed Licenses Issued	8,191	7,425	8,387
Public Utilities Commission			
Dockets Opened	178	199	227
<b>Agriculture and Natural Resources</b>			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	398 / 10,335	337 / 5,803	595 / 55,731
Dairy Inspections	1,078	1,444	1,300
Marketing Consultations	385	360	396
Insect & Disease Individual Assists	333	400	500
Game, Fish and Parks			
Total Park Visitations	7,785,508	7,638,828	7,371,201
Acres of Walk-In Areas	1,250,000	1,201,430	1,152,653
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	80.6M / 109	100M / 129	99.3M / 113
Total number of Regulated Facilities	26,365	26,328	25,677
Petroleum Release Compensation			
Petroleum Release Cases Initiated	64	70	45
Abandoned Tank site Cases Initiated	45	53	33
<b>Transportation</b>			
Transportation			
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	85	84	83
Percent of interstate pavement in excellent condition based on condition index	31	45	40
<b>Education</b>			
Student K-12 public school fall enrollment	122,055	121,015	121,089
<b>Economic Resources</b>			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 217.00	\$ 401.80	\$ 736.10
New Jobs Created (calendar year)	3,298	3,952	4,083
Tourism's Impact on South Dakota Economy (billions)	\$ 2.42	\$ 2.74	\$ 2.42

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

N/A= Not Applicable

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



Fiscal Year					
2007	2006	2005	2004	2003	2002
3,412	3,466	3,177	3,059	2,954	2,781
2,312	2,011	2,243	1,945	1,667	1,471
489	510	512	520	514	468
5,660 / 7,388	6,970 / 7,462	7,032 / 7,970	6,895 / 6,936	6,277 / 5,978	6,784 / 6,033
23,464 / 22,296	24,064 / 22,570	22,094 / 20,330	20,542 / 18,144	20,107 / 16,948	19,502 / 16,422
139,933 / 43,043	141,405 / 43,614	142,605 / 40,449	142,025 / 36,983	141,508 / 39,580	148,326 / 39,853
1.1 / 1.0 / 1.9	1.2 / 1.2 / 1.9	1.3 / 1.2 / 1.9	1.5 / 1.4 / 1.8	1.2 / 1.2 / 1.6	1.5 / 1.2 / 1.5
534	599	580	683	622	636
139,828	136,428	125,844	129,575	123,880	129,431
205,260	198,755	189,727	134,282	199,115	204,675
3,360	3,425	3,425	3,425	3,410	3,355
1,008	1,015	1,030	1,025	1,035	1,084
17 / 360	33 / 361	30 / 360	33 / 331	38 / 316	31 / 329
376	609	606	618	632	554
60,015	54,396	51,146	47,593	44,937	48,410
210,739	211,904	196,873	218,679	206,237	173,550
7,351	7,759	6,577	7,861	6,492	7,364
306	258	306	435	327	314
904 / 288,616	762 / 47,860	412 / 7,309	622 / 73,585	455 / 116,933	564 / 55,976
1,350	1,549	1,532	1,691	N/A	1,916
300	220	240	280	265	380
792	390	373	430	777	234
7,326,503	7,202,975	7,148,102	7,413,106	7,256,419	7,115,630
1,000,000	1,080,000	935,163	903,000	883,827	821,267
34.8M / 102	91.4M / 135	108.2M / 150	34.5M / 117	47.1M / 113	54.5M / 110
24,445	23,123	20,711	20,525	20,328	20,000
22	29	27	21	29	16
45	38	53	69	171	794
83	78	77	75	71	75
41	35	24	34	30	29
120,278	120,682	121,327	123,058	124,470	125,612
\$ 407.50	\$ 275.10	\$ 241.80	\$ 397.50	\$ 165.90	\$ 238.50
3,044	3,202	3,046	2,190	2,398	2,633
\$ 2.35	\$ 2.16	\$ 2.02	\$ 1.75	\$ 1.66	\$ 1.50

**State of South Dakota**  
**Capital Asset Statistics by Function**  
**as of June 30, 2010**

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

\* Restated balances

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

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

