

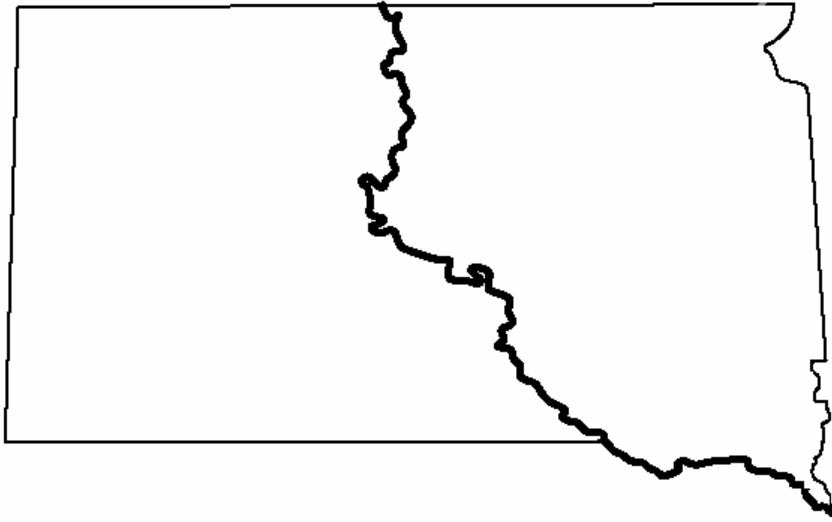
South Dakota

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2002



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2002**



M. MICHAEL ROUNDS, GOVERNOR

DENNIS DAUGAARD, LT. GOVERNOR

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

ACKNOWLEDGEMENTS

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SPECIAL THANKS TO:
South Dakota Department of Legislative Audit, Pierre
Business Research Bureau, University of South Dakota, Vermillion
All State Finance Officers and Accountants

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



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

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year that ended June 30, 2002. Since FY2002 was not during my term as Governor of this great state, I commend Governor Janklow for his work in maintaining a solid financial foundation for South Dakota. I pledge my continued efforts toward maintaining this sound financial condition. This is our sixteenth *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.

Although the United States' economy experienced below normal growth in FY2002, the South Dakota economy was able to end the fiscal year ahead of projections. Because of the diversification of the South Dakota economy, the severity of the downturn was not as great as that of the United States' economy. South Dakota's nonfarm labor force grew by 0.04%, whereas the United States' labor force declined 0.78% during FY2002. In addition to the growth in nonfarm employment, the unemployment rate remained low and personal income grew at a rate greater than inflation in South Dakota.

In South Dakota, the emphasis of government is the basics, protecting people and property, providing educational opportunities, and helping people who cannot help themselves. South Dakota continues to live within its means and provide these services to the citizens as we have since statehood in 1889.

Sincerely,

M. Michael Rounds

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INTRODUCTORY SECTION

TO THE HONORABLE M. MICHAEL ROUNDS, GOVERNOR OF SOUTH DAKOTA
AND
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 for the fiscal year ended June 30, 2002. This report is prepared by the Bureau of Finance and Management and submitted as required by South Dakota Codified Law as revised in SDCL § 4-4-6.

The Bureau of Finance and Management assumes full responsibility for the accuracy, fairness, and completeness of this document. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the state of South Dakota's financial affairs have been included.

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), and are audited by the South Dakota Department of Legislative Audit. Effective this year, those principles without a doubt mandated the most significant changes in the history of accounting and financial reporting for state and local governments, and have been reflected in the content and format of these statements for the fiscal year ended June 30, 2002, including a section titled Management's Discussion and Analysis (MD&A). GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement 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.

REPORT PRESENTATION

The Comprehensive Annual Financial Report is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section* includes a brief description of the state's reporting entity, audit, the Risk Management Program, the Cash Management Program, the South Dakota Lottery Fund, a short economic review of the past year, and an economic outlook summary for South Dakota. Also included are a listing of principal state officials, a listing of state government functions, and a state organizational chart. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; 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 and combining component units financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* presents various economic, statistical, and demographic data including labor force, education, census information, banking, taxes, farming, etc.

STATE REPORTING ENTITY

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

AUDIT

The South Dakota Department of Legislative Audit, a division of the legislative branch of state government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report issued by the Department of Legislative Audit includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units; each major fund and the aggregate remaining fund information as of June 30, 2002 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.

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).

CASH MANAGEMENT

The South Dakota Investment Council manages the state's pooled fund cash on a daily basis. The South Dakota Investment Council was established by the state legislature in 1971 and became operational on July 1, 1972. The council consists of eight voting members: five of the members are chosen by the Executive Board of the Legislative Research Council--a bipartisan board of members of both houses of

the legislature--and the other three members consist of the State Treasurer, the Commissioner of School and Public Lands, and a designee of the South Dakota Retirement Board of Trustees.

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

Investment Council management of the South Dakota Cash Flow portfolio resulted in earnings this year of \$40.5 million, a yield of 5.5%. This fund serves as the state's checking account and has earned taxpayers \$703.3 million over the past 30 years. Total investment income for all funds invested by the Investment Council was (\$168.9) million for fiscal year 2002. Income for the most recent five years totaled \$1.7 billion and, since inception, has exceeded \$5.4 billion.

Performance for the past 29 years (since inception of management responsibilities for SDRS) has placed the council in the top first percentile against state funds for total retirement assets. For the past 29 years, domestic equities have returned 13.8%, outperforming the stock index by 1.9% annualized. For the past 29 years, fixed income has returned 9.6%, outperforming the bond index by 0.6%. The Investment Council has grown from \$133.0 million in assets at the end of its first year to \$5.831 billion at June 30, 2002.

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, South Dakota joined the Multi-State Lottery Association (MUSL), a consortium of 21 lottery jurisdictions that currently offer the Powerball game. South Dakota's own lotto game, Dakota Cash, began in FY1993. In FY1994, South Dakota entered into a multi-state agreement with the states of Montana and Idaho to offer the Tri-West Lotto game that began early in February 1994. On September 16, 1996, the South Dakota Lottery began selling MUSL's Daily Millions game. On February 1, 1998, Nebraska joined the Tri-West Lotto group and the group replaced the Tri-West Lotto game with a new game called Wild Card. On March 31, 1998, Daily Millions was replaced with a new MUSL daily game called Cash 4 Life. The Cash 4 Life group was made up of nine states. On May 23, 1999, Nebraska dropped out of Wild Card, leaving South Dakota, Idaho, and Montana to participate in a revised version of Wild Card called Wild Card 2. On September 10, 2000, Cash 4 Life was replaced by a new MUSL game called Rolldown. The Rolldown group was made up of ten states. On April 7, 2002, Rolldown was replaced by a new MUSL game called Hot Lotto. The Hot Lotto group is currently made up of six states. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2002, \$973.8 million has been generated to fund many public programs and projects. Lottery revenues provided during FY2002 totaled \$109.3 million.

ECONOMIC REVIEW FOR FISCAL YEAR 2002

South Dakota's economy, after enjoying strong economic growth for many years, experienced below normal growth in FY2002. A prime indication of the strength of South Dakota's economy during FY2002 was the growth in South Dakota's labor force. During FY2002, the South Dakota labor force grew 0.04%, as compared to the historical growth rate of 1.6%. The strongest sectors of the South Dakota labor force were finance, insurance, and real estate; government; trade; and construction, which grew 4.1%, 2.8%, 1.2%, and 1.2%, respectively. The sectors that experienced the greatest decline in jobs were the manufacturing and mining sectors that fell 8.2% and 15.6%, respectively. The unemployment rate decreased from 3.3% at the beginning of FY2002 to 2.9% by the end of the fiscal year.

During FY2002, nonfarm employment grew by 167 jobs, an increase of 0.04%. Nationally, nonfarm employment fell 0.8% during the same time period. Building permits issued in South Dakota for FY2002 were up 14.6%, and the value of building permits issued increased 18.2%. Finally, total personal income in South Dakota grew 3.8%, compared to the national growth rate of 2.1%. South Dakota's nonfarm income grew 4.2%.

ECONOMIC OUTLOOK

After slowing in FY2001, South Dakota's economy continued to remain soft throughout FY2002. However, it is expected to grow out of the current slowdown by the end of FY2003. Contributing to the slow economic growth has been the struggling manufacturing sector and the national recession. Although employment growth is stagnant, wages have continued to remain competitive, consumers have continued to spend, and the housing market has remained strong. A restored consumer confidence, coupled with a recovery in the manufacturing sector and growth in jobs to meet the demand, will allow the South Dakota economy to once again experience growth toward the latter half of CY2003.

ACKNOWLEDGMENTS

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

This year, several new GASB standards were implemented, including Statement No. 34 requirements. For more than a decade and a half, GASB has been working on a project designed to change the framework of financial reporting (i.e., "financial reporting model") for state and local governments. In June 1999, the GASB marked the completion of this project, with the issuance of GASB Statement No. 34, Basic Financial Statements – and Managements' Discussion and Analysis – for State and Local Governments. According to a Government Financial Officers Association (GFOA) Technical Bulletin, GASB Statement No. 34 represents the most important single change in the history of accounting and financial reporting for state and local governments.

I would like to thank everyone whose time and dedication have made this report possible. I reaffirm our commitment to maintain the highest standards of accountability and financial reporting.

Sincerely,

Jason C. Dilges, Commissioner
Bureau of Finance and Management

BUREAU OF FINANCE AND MANAGEMENT

The Bureau of Finance and Management (BFM) is a staff agency in the South Dakota Department of Executive Management that is headed by the Governor. Other agencies in the Department of Executive Management include the Governor's Office, Lt. Governor's Office, Office of Tribal Government Relations, Office of Economic Development, Bureau of Administration, Bureau of Information and Telecommunication, and Bureau of Personnel.

The general purpose of the BFM, as described in South Dakota Codified Law, is to "...promote economy and efficiency in the fiscal management of the state government". The functions performed by bureau staff fall into four categories--budget analysis, executive management finance office, financial compliance, and financial systems.

BUDGET ANALYSIS

South Dakota state government has an executive budget process whereby all agencies of state government submit their annual budget requests to the Bureau of Finance and Management. The bureau assists the Governor in developing the Governor's Budget Book that contains the Governor's recommendations to the legislature for funding all state government programs for the next fiscal year.

EXECUTIVE MANAGEMENT FINANCE OFFICE

The Executive Management Finance Office provides annual budget preparation and financial accounting for the BFM, Bureau of Administration, Bureau of Information and Telecommunications, and Bureau of Personnel. The financial accounting output is used for completion of the Comprehensive Annual Financial Report and assurance of compliance with OMB Circular A-87.

FINANCIAL COMPLIANCE

The BFM Financial Compliance Division is primarily responsible for advising South Dakota state agencies on compliance issues in the areas of generally-accepted accounting principles, payroll, statewide cost allocation procedures, and the U.S. Treasury—state agreement pertaining to the Cash Management Improvement Act. The U.S. Treasury—state agreement is between the state of South Dakota, BFM, and the United States Treasury Financial Service and outlines procedures for drawing federal funds for grants that are subject to the agreement. In addition, the BFM Financial Compliance Division is also responsible for reconciling "pooled and restricted cash" on the state's accounting system, computing (for all state government funds) the allocated investment proration amounts due to each fund annually, maintaining and monitoring the Cash Management Improvement Agreement by ensuring development of clearance patterns for federal grants, preparing the South Dakota Statewide Cost Allocation Plan annually, and preparing the South Dakota Comprehensive Annual Financial Report annually.

FINANCIAL SYSTEMS

The BFM Financial Systems Division is responsible for the operation, development, and user education of statewide financial systems for South Dakota. This includes the state purchasing system, accounts payable, general ledger, inventory, fixed asset, central payroll, budget, and the financial decision support system.

SOUTH DAKOTA PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

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

CONSTITUTIONAL OFFICERS

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

PUBLIC UTILITIES COMMISSION

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

LEGISLATIVE BRANCH

*The Honorable Matthew Michels
Speaker of the House*

*The Honorable Eric Bogue
Senate Majority Leader*

*The Honorable Garry Moore
Senate Minority Leader*

*The Honorable Bill Peterson
House Majority Leader*

*The Honorable Mel Olson
House Minority Leader*

JUDICIAL BRANCH

*The Honorable David Gilbertson
Chief Justice*

*The Honorable Richard Sabers
Associate Justice*

*The Honorable John Konenkamp
Associate Justice*

*The Honorable Steven Zinter
Associate Justice*

*The Honorable Judith Meierhenry
Associate Justice*

SOUTH DAKOTA FY2002 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

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

HEALTH AND HUMAN SERVICES

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

LAW, JUSTICE, AND PUBLIC PROTECTION

**CORRECTIONS
UNIFIED JUDICIAL SYSTEM
ATTORNEY GENERAL
HIGHWAY PATROL
HIGHWAY SAFETY
MILITARY AND VETERANS' AFFAIRS
ADJUTANT GENERAL
NATIONAL GUARD
EMERGENCY MANAGEMENT**

AGRICULTURE AND NATURAL RESOURCES

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

COMMERCE AND REGULATION

**COMMERCE AND REGULATION **
** EXCLUDES HIGHWAY SAFETY, HIGHWAY
PATROL, AND PETROLEUM RELEASE**

TRANSPORTATION

TRANSPORTATION

EDUCATION

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

ECONOMIC RESOURCES

**ECONOMIC DEVELOPMENT
TOURISM**

LOTTERY

LOTTERY



FINANCIAL SECTION



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

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the state of South Dakota as of and for the fiscal year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the South Dakota Retirement System, which represents 82% of the assets and 13% of the additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the South Dakota Retirement System, is based on the report of the other auditor.

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

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

remaining fund information of the state of South Dakota as of June 30, 2002 and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the financial statements, the State has implemented the following financial reporting requirements of the Government Accounting Standards Board Statements and Interpretation: Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

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 Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with government auditing standards, we have also issued our reports dated March 24, 2003 on our consideration of the state of South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Martin L. Guindon, CPA
Auditor General

March 24, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the state of South Dakota's (herein after referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2002. 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.

Fiscal year 2002 represents the first year in which the State is required to implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis--for State and Local Governments*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports are required to include extensive comparisons.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets of the State exceeded its liabilities at the close of the fiscal year by \$3.6 billion (reported as net assets), an increase of \$94.5 million from the previous year. Component units reported net assets of \$538.0 million, an increase of \$41.9 million from the previous year.

Fund Level

- As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$964.3 million, with \$786.8 million reported as *unreserved fund balance* and the remaining amount of \$177.5 million reserved for specific purposes (such as encumbrances, debt service, restricted funds, school perpetuity, and noncurrent assets). At the end of the fiscal year, unreserved fund balance for the General Fund was \$96.4 million, of which \$39.3 million was designated only to be used to address emergency situations without having to raise taxes or cut spending.
- Proprietary funds reported net assets at year-end of \$312.3 million, an increase of \$27.8 million during the year.

Long-Term Debt

- The primary government's total long-term outstanding loans and bonded debt totaled \$169.9 million, a decrease of \$3.7 million from the previous year. Of the total outstanding loans and bonded debt, \$44,000 is backed by the State, with the remaining balance backed by the South Dakota Building Authority and South Dakota Conservancy District. The \$3.7 million decrease represents the net difference between new issuances, and principal payments of outstanding debt. During the year, the State and South Dakota Building Authority incurred no new long-term general indebtedness under governmental and business-type activities; however, the South Dakota Conservancy District issued \$9.7 million tax exempt revenue bonds under business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund Financial Statements and Combining Component Units Financial Statements

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

- *Governmental Funds.* Most of the State's basic services are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This short-term view of the State's financial position may be useful in determining whether the State has sufficient resources to cover expenditures for its basic services in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues,

expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The State maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Transportation Fund, Social Services Federal Fund, and Dakota Cement 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 enterprise funds and internal service funds and account for State's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.

Activities (e.g., Lottery Fund) that largely involve customers outside of state government are accounted for in enterprise funds, and are the same functions reported as business-type activities in the government-wide financial statements. Activities (e.g., Fleet and Travel Management) that largely involve other state agencies are accounted for in internal service funds. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

The State maintains several individual proprietary funds, of which the following three are considered major funds: Lottery Fund, Revolving Economic Development and Initiative Fund, and Clean 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 a single, aggregated column by proprietary fund type. Individual fund data for some nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for fiscal year ending June 30, 2002. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As mentioned previously, new accounting standards significantly changed the content and structure of the financial statements, and much of the information is not easily comparable to prior years. Future MD&A's will include extensive comparisons.

Net Assets. As presented in the following table, total assets of the State on June 30, 2002 were \$4.3 billion, while total liabilities were \$0.7 billion, resulting in combined net assets (governmental and business-type activities) of \$3.6 billion.

The largest component of the State's net assets, 68.1%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets comprise 11.4% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments; or, (b) imposed by law through constitutional provisions on how they can be used.

The remaining balance, \$735.5 million, is unrestricted net assets that may be used to meet the State's ongoing obligations to citizens and creditors. However, certain resources within this balance have internally imposed limitations as explained below.

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

- *General Fund Budget Reserve.* The 1991 South Dakota Legislature established a General Fund Budget Reserve that would only be used to address emergency situations without having to raise taxes or cut spending. The balance in the General Fund Budget Reserve at June 30, 2002 is \$39.3 million.

**State of South Dakota
Net Assets
June 30, 2002
(Expressed in Thousands)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Current and Other Assets	\$ 1,400,960	\$ 338,223	\$ 1,739,183
Capital Assets	<u>2,531,962</u>	<u>2,906</u>	<u>2,534,868</u>
Total Assets	<u>3,932,922</u>	<u>341,129</u>	<u>4,274,051</u>
Long-Term Liabilities Out-			
Standing	255,872	32,324	288,196
Other Liabilities	<u>385,935</u>	<u>21,404</u>	<u>407,339</u>
Total Liabilities	<u>641,807</u>	<u>53,728</u>	<u>695,535</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,433,483	2,881	2,436,364
Restricted	209,216	197,428	406,644
Unrestricted	<u>648,416</u>	<u>87,092</u>	<u>735,508</u>
Total Net Assets	<u>\$ 3,291,115</u>	<u>\$ 287,401</u>	<u>\$ 3,578,516</u>

- *Dakota Cement Trust Fund.* This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states as follows: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen". The fund balance in the Dakota Cement Trust Fund at June 30, 2002 was \$229.9 million.
- *Health Care Trust Fund.* This fund consists of monies that were on deposit in the Intergovernmental Transfer Fund. This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature". The fund balance in the Health Care Trust Fund at June 30, 2002 was \$65.6 million.
- *Education Enhancement Trust Fund.* This fund consists of monies received from the tobacco settlement agreement and any funds in 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, 2002 was \$85.4 million.

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 2002.

**State of South Dakota
Changes in Net Assets
Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 223,596	\$ 174,673	\$ 398,269
Operating Grants and Contributions	1,043,588	40,133	1,083,721
Capital Grants and Contributions	1,784		1,784
General Revenues:			
Sales Taxes	471,025		471,025
Motor Fuel Taxes	125,252		125,252
Contractors Excise Taxes	53,449		53,449
Bank Card and Franchise Taxes	41,784		41,784
Other Taxes	198,776		198,776
Unrestricted Investment Earnings	53,422		53,422
Gain on Sale of Capital Assets	1,048		1,048
Miscellaneous	<u>31,428</u>		<u>31,428</u>
Total Revenues	<u>2,245,152</u>	<u>214,806</u>	<u>2,459,958</u>

Changes in Net Assets (Continued)

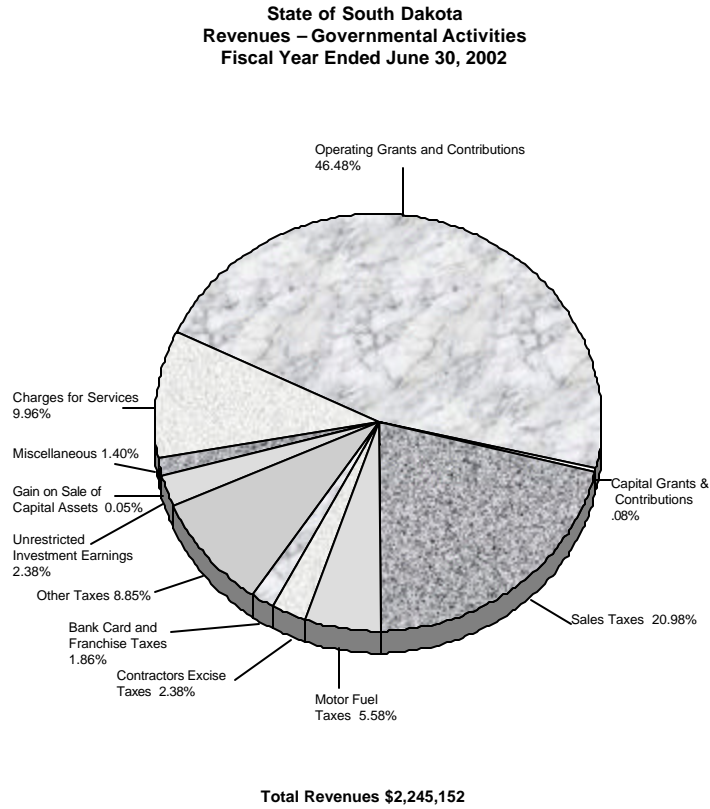
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Program Expenses:			
General Government	138,637		138,637
Education – Elementary, Secondary and Vocational Schools	142,256		142,256
Education – State Aid to Universities	131,462		131,462
Health and Human Services	837,325		837,325
Law, Justice, and Public Protection	148,004		148,004
Agriculture and Natural Resources	95,732		95,732
Commerce and Regulation	13,351		13,351
Economic Resources	28,170		28,170
Transportation	340,394		340,394
Intergovernmental – Payments to School Districts	322,290		322,290
Intergovernmental – Revenue Sharing	80,434		80,434
Interest Expense	8,736		8,736
Unallocated Depreciation	70		70
Lottery		21,981	21,981
Revolving Economic Development & Initiative		858	858
Clean Water State Revolving		1,466	1,466
Other		<u>54,269</u>	<u>54,269</u>
Total Expenses	<u>2,286,861</u>	<u>78,574</u>	<u>2,365,435</u>
Excess (Deficiency) Before Special Items and Transfers	(41,709)	136,232	94,523
Transfers	<u>108,925</u>	(<u>108,925</u>)	<u>0</u>
Change in Net Assets	67,216	27,307	94,523
Net Assets – Beginning (As Restated)	<u>3,223,899</u>	<u>260,094</u>	<u>3,483,993</u>
Net Assets – Ending	<u>\$3,291,115</u>	<u>\$ 287,401</u>	<u>\$3,578,516</u>

Governmental Activities:

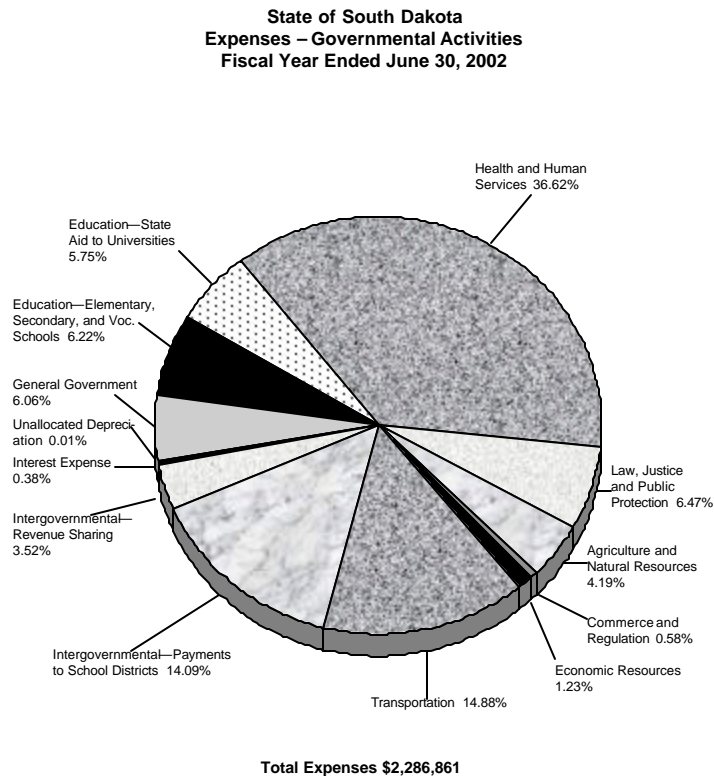
Governmental activities increased the State's net assets by \$67.2 million. Factors contributing to these results include:

- A deficiency in revenues over expenses of \$41.7 million, primarily due to the sluggish economy, lower return on investments, and the repeal of the inheritance tax; and,
- Net transfers totaling \$108.9 million. The majority of transfers in were from the South Dakota Lottery in the amount of \$109.3 million.

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



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



Business-Type Activities:

Net assets of the business-type activities increased by \$27.3 million during the fiscal year. Factors contributing to these results include:

- An excess of revenues over expenses of \$136.2 million, primarily due to South Dakota Lottery (\$109.9 million); and,
- Ongoing operating transfers from the South Dakota Lottery to governmental activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$964.3 million, an increase of \$11.4 million in comparison with the prior year.

Approximately 18.4%, or \$177.5 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders for the prior fiscal year--\$41.9 million, 2) to pay debt service--\$82.6 million, 3) to be held in permanent trust funds with earnings distributed to primary governments and universities--\$23.1 million, or 4) for a variety of other restricted purposes--\$29.9 million.

Approximately 4.1%, or \$39.3 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 77.5%, or \$747.5 million of the combined ending fund balances, constitutes unreserved fund balance that may be used to meet the State's ongoing obligations to citizens and creditors. However, as previously mentioned, large portions of this balance relate to internally imposed limitations, such as statutory language that could limit resource use, unless appropriated by legislative action as defined by State law. Examples of funds (and reported unreserved fund balances) that are subject to internally imposed limitations include, but may not be limited to: 1) Dakota Cement Trust Fund--\$229.9 million, 2) Health Care Trust Fund--\$65.6 million, and 3) Education Enhancement Trust Fund--\$85.4 million. **Note:** For a complete explanation of these funds, refer to the previous section entitled, "Government-Wide Financial Analysis".

The only governmental fund that is a major fund and had a significant change in fund balance during fiscal year 2002 was the General Fund. The General Fund is the chief operating fund of the State. At the end of the fiscal year, unreserved fund balance of the General Fund was \$96.4 million, of which \$39.3 million was designated only to be used to address emergency situations without having to raise taxes or cut spending. Total fund balance at the end of the current fiscal year was \$114.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance (including the unreserved designated amount) represents 11.0% of the total General Fund operating expenditures, while total fund balance represents 13.0% of that same amount.

Overall, the fund balance of the State's General Fund decreased by \$40.0 million during the current fiscal year. This is a 25.9% decrease from the prior year. The decrease primarily resulted from a slowing of the economy

throughout the fiscal year, lower return of investments, and the repeal of the State inheritance tax on July 1, 2001.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary funds are major funds and had significant changes to net assets during fiscal year 2002:

- *Lottery Fund.* At the end of the current fiscal year, the Lottery Fund reported total net assets of \$5.1 million, an increase of \$0.7 million in comparison with the prior year. During the current fiscal year, the State Lottery produced operating income (before operating transfers) in the amount of \$109.9 million on total revenue of \$131.3 million, compared to the previous fiscal year's operating income (before operating transfers) of \$100.5 million on total revenue of \$121.7 million. The increase was largely the result of increased video lottery revenue and increases in instant on-line ticket sales. During FY 2002, the State Lottery distributed approximately \$102.8 million to the Property Tax Reduction Fund, \$4.3 million to the General Fund, \$2.0 million to the Capital Construction Fund, and \$0.2 million to the Department of Human Services.
- *Clean Water State Revolving Fund.* At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of \$105.2 million, an increase of \$9.2 million in comparison with the prior year. This increase resulted primarily from the receipt of \$4.8 million capitalization grant monies received from the federal government, and \$4.4 million investment, interest, and other income in excess of operating expenses.

BUDGETARY HIGHLIGHTS – GENERAL FUND AND SOCIAL SERVICES FEDERAL FUND

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

General Fund. Differences between the original budget and the final amended budget were relatively minor (\$2.7 million decrease in appropriations) and can be summarized as follows:

- \$1.2 million reduction of appropriated carryover amount within Dakota Public Broadcasting to be transferred to the General Fund to meet ongoing State expenditures.
- \$3.0 million reduction of appropriated carryover amount within Department of Education and Cultural Affairs to be transferred to the General Fund to meet ongoing State expenditures.
- \$0.5 million in supplemental appropriations to the Department of Corrections to upgrade the electronic security system at the Jameson Annex of the SD State Penitentiary.
- \$0.5 million in supplemental appropriations to the Department of Human Services to be used to fund higher than anticipated costs regarding case loads for adjustment training centers.
- \$0.5 million in supplemental appropriations to Higher Education to fund payout costs for South Dakota School of Medicine staff who had their contracts cancelled due to the loss of the University Physician's Program.
- Other budget adjustments in the form of FY 2002 emergency special appropriations and budget transfers were not considered to be significant variations, or to have a significant effect on future services or liquidity.

Differences between the final amended budget and actual spending (\$4.5 million) resulted from:

- Agencies controlled spending in an effort to create budgetary savings to the General Fund of \$3.5 million.
- Maintenance and repair amounts of \$0.8 million statutorily authorized to be carried forward and spent in future years.
- Special appropriation amounts of \$0.2 million statutorily authorized to be carried forward and spent in future years.

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

Social Services Federal Fund. In total, the Social Services Federal Fund experienced no change between the original budget and the final amended budget. However, budget transfers did occur within the Department

of Social Services during FY 2002 primarily for the purpose of reorganization. These transfers were not considered significant, or to have a significant effect on future services or liquidity.

The difference between the final amended budget and actual spending (\$6.5 million) resulted primarily from the fact that the funds that could have been claimed from the federal government were less than anticipated when the budget was constructed.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business type activities as of June 30, 2002 is \$2.5 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
June 30, 2002
(Expressed in Thousands)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Land	\$ 52,719	\$ 354	\$ 53,073
Land Improvements	8,356	687	9,043
Land Improvements – Roads	554,641	0	554,641
Buildings	237,975	2,918	240,893
Equipment	114,782	2,131	116,913
Vehicles	87,349	0	87,349
Infrastructure	2,522,567	0	2,522,567
Construction in Progress	<u>176,350</u>	<u>1,214</u>	<u>177,564</u>
Total	<u>3,754,739</u>	<u>7,304</u>	<u>3,762,043</u>
Accumulated Depreciation	(1,222,777)	(4,398)	(1,227,175)
Total Capital Assets, Net	<u>\$ 2,531,962</u>	<u>\$ 2,906</u>	<u>\$ 2,534,868</u>

The most significant change during the year was a change in accounting for capital assets, resulting in the inclusion of infrastructure assets and related land, land improvements - roads, 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. This change increased the capital assets reported by \$2.2 billion (net of accumulated depreciation), which is 88.0% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) changed from fiscal year 2001 to 2002 by approximately 2.0%. 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 \$98.2 million and decreased (projects completed and capitalized) by \$106.9 million, while other projects that were begun and completed during the current year (did not run through construction in progress) totaled \$1.2 million. The land, land improvements, and buildings increased by \$25.6 million, which consisted largely of:

- The completion of a new Department of Transportation complex in Sioux Falls -- \$12.2 million;
- A new Department of Transportation lab/shop in Pierre -- \$4.1 million; and,
- Completion of a new manufacturing center for Lake Area Vocational Technical Institute -- \$4.0 million (the State reports land and buildings for the four vocational technical institutes. See Note 15 in the Notes to the Financial Statements.).

Equipment assets increased by \$9.4 million, largely due to the implementation of a new comprehensive human resource/payroll system (\$2.9 million) and replacing aged equipment. Vehicles, which include trucks, cars, pickups, and other vehicles, increased \$5.6 million, largely due to replacing aged vehicles. This increase was slightly elevated, due to some vehicles being driven longer than normal and being replaced.

More detailed information on the State's capital assets can be found in Note 6 in the Notes to the Financial Statements.

Debt Administration

The authority of the State to incur debt is described in Article III, Section 2, of the State's Constitution. Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000. During a prior fiscal year, the city of Pierre installed an electrical upgrade to the capitol complex. The State entered into a long-term contract with the city of Pierre to pay for the cost of the upgrade. 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, 2002, the South Dakota Building Authority had a rating of Aaa from Moody's and AAA from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of state departments and institutions are reported as part of governmental activities in the State's basic financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information.

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans, or other types of financial assistance to political units for the construction of publicly-owned wastewater treatment facilities, implementation of nonpoint source management programs, development and implementation of plans under the new Estuary Protection Program, and construction and maintenance of drinking water facilities, respectively. At June 30, 2002, the South Dakota Conservancy District had a rating of Aaa from Moody's. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments and bond proceeds and, if necessary, a legislative appropriation of \$1.2 million for the CWSRF only. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements.

At the end of the current fiscal year, primary government had total note and bonded debt outstanding of \$169.9 million. During the current fiscal year, the State incurred no new long-term general indebtedness under governmental and business-type activities. Additionally, there were no new revenue bonds or trust certificates issued under the governmental fund type for the South Dakota Building Authority for fiscal year 2002. However, the South Dakota Building Authority issued \$5.0 million of revenue bonds in fiscal year 2002 for Higher Education that is reported as a discretely presented component unit.

During the current fiscal year, the South Dakota Conservancy District issued \$4.4 million and \$5.3 million tax exempt revenue bonds to be used to provide the funds needed for the State match required under the Federal Water Pollution Control Act and the Safe Drinking Water Act, respectively. This match is required to obtain certain federal Capitalization Grants, to provide funds for capitalized interest, and to fund certain reserves.

State of South Dakota
Outstanding Loans and Bonded Debt
June 30, 2002
(Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General Indebtedness:			
Backed by State	\$ 44	\$	\$ 44
Revenue Bonds:			
Backed by South Dakota Building Authority	96,306		96,306
Backed by South Dakota Conservancy District		31,359	31,359
Trust Certificates:			
Backed by South Dakota Building Authority	<u>42,210</u>		<u>42,210</u>
TOTAL	<u>\$ 138,560</u>	<u>\$ 31,359</u>	<u>\$ 169,919</u>

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

ECONOMIC CONDITION AND OUTLOOK

After averaging 2.5% growth annually from calendar years 1991 to 2001, South Dakota's nonfarm employment growth dropped 0.2% in 2002. Nationally, nonfarm employment growth in the United States fell 0.9% in 2002. The unemployment rate in South Dakota in 2002 was 3.0%, down from the 2001 rate of 3.3%. Nationally, the unemployment rate was 5.8% in 2002, up from the 2001 level of 4.8%.

Amendment C was passed by the voters in South Dakota on November 7, 2000, which repealed the inheritance tax in South Dakota. The full impact of the loss of the inheritance tax to the General Fund has not yet been realized as the State continues to collect receipts from the period in which the tax was in effect. However, collections will decrease significantly when all estates that were subject to the tax are finalized. By FY2004, collections will amount to only the State's share of the federal estate tax owed.

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

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

- Increase in the cigarette tax from \$0.33 per pack to \$0.53 per pack. The tax increase is projected to provide additional revenue of \$2.0 million in FY 2003 and \$9.0 million in FY 2004;
- Broadening of the sales tax to include interstate telephone services. This tax is projected to increase revenue by \$0.2 million in FY 2003 and \$2.0 million in FY 2004;
- Increase in certain fees charged by the Secretary of State. This tax is estimated to increase revenue \$0.7 million in FY 2004; and,
- HB1104 imposed a tax of 4.0% upon the gross receipts of telecommunications services, beginning in FY 2004. Sixty percent of the revenue collected from this tax is to be deposited into the Property Tax Reduction Fund. This tax is estimated to increase revenue \$3.3 million in FY 2004.

Action taken in the 2003 legislative session that affects one-time receipts in FY 2004 is the transfer of \$15.0 million to the General Fund representing funds that were transferred to the transportation fund as authorized during the 2002 legislative session.

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. During fiscal year 2003, the Education Enhancement Funding Corporation was created. During fiscal year 2003, the corporation issued bonds, and the State gave up these rights in exchange for a lump sum payment, of which \$243.6 million was deposited into the Education Enhancement Trust Fund. These rights are terminated, while the bonds are outstanding. Further information regarding the Education Enhancement Funding Corporation can be found in Note 17 in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

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

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

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2002
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 632,205	\$ 138,590	\$ 770,795	\$ 306,638
Receivables (Net)	239,882	129,688	369,570	1,193,200
Due From Component Units	923	88	1,011	
Due From Primary Government			0	1,155
Internal Balances	4,893	(4,893)	0	
Investments	331,224	57,235	388,459	424,818
Inventory	16,866	1,624	18,490	7,301
Deferred Fiscal Charges and Other Assets	5,032	1,100	6,132	16,797
Restricted Assets:				
Cash and Cash Equivalents			0	2,955
Investments	10,000		10,000	4,968
Securities Lending Collateral	159,935	14,791	174,726	13,681
Capital Assets:				
Land and Other Non-depreciable Assets	609,047	354	609,401	4,029
Infrastructure (net)	1,498,631		1,498,631	
Property, Plant and Equipment (net)	247,934	1,338	249,272	231,745
Construction in Progress	176,350	1,214	177,564	35,520
Total Assets	3,932,922	341,129	4,274,051	2,242,807
Liabilities				
Accounts Payable and Other Liabilities	177,448	4,845	182,293	39,785
Due To Primary Government			0	1,011
Due To Component Units	1,155		1,155	
Accrued Interest Payable	3,859	683	4,542	14,633
Deferred Revenue	43,538	1,085	44,623	404
Securities Lending Collateral Liability	159,935	14,791	174,726	13,681
Noncurrent Liabilities:				
Due Within One Year	53,204	1,543	54,747	44,461
Due In More Than One Year	202,668	30,781	233,449	1,590,784
Total Liabilities	641,807	53,728	695,535	1,704,759
Net Assets				
Invested In Capital Assets, Net of Related Debt	2,433,483	2,881	2,436,364	198,036
Restricted For:				
Highways	51,654		51,654	
Agriculture and Natural Resources	23,181		23,181	
Debt Service	82,586	3,489	86,075	295,708
Unemployment Compensation		56,525	56,525	
Environmental Projects	10,000	126,211	136,211	
Revolving Loan Programs		11,203	11,203	
School Perpetuity - Expendable	1,164		1,164	
School Perpetuity - Nonexpendable	23,612		23,612	
Higher Education - Expendable			0	5,556
Higher Education - Nonexpendable			0	4,599
Other Purposes	17,019		17,019	1,968
Unrestricted	648,416	87,092	735,508	32,181
Net Assets	\$ 3,291,115	\$ 287,401	\$ 3,578,516	\$ 538,048

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

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets			Component Units
					Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
General Government	\$ 138,637	\$ 111,597	\$ 13,574	\$	\$ (13,466)	\$	\$ (13,466)	
Education - Elementary, Secondary and Vocational Schools	142,256	2,720	102,168		(37,368)		(37,368)	
Education - State Aid to Universities	131,462				(131,462)		(131,462)	
Health and Human Services	837,325	19,293	610,148		(207,884)		(207,884)	
Law, Justice and Public Protection	148,004	12,300	39,539	395	(95,770)		(95,770)	
Agriculture and Natural Resources	95,732	45,743	24,642		(25,347)		(25,347)	
Commerce and Regulation	13,351	26,164	218		13,031		13,031	
Economic Resources	28,170	727	10,742		(16,701)		(16,701)	
Transportation	340,394	5,052	242,557	1,389	(91,396)		(91,396)	
Intergovernmental - Payments to School Districts	322,290				(322,290)		(322,290)	
Intergovernmental - Revenue Sharing	80,434				(80,434)		(80,434)	
Interest Expense	8,736				(8,736)		(8,736)	
Unallocated Depreciation	70				(70)		(70)	
Total Governmental Activities	<u>2,286,861</u>	<u>223,596</u>	<u>1,043,588</u>	<u>1,784</u>	<u>(1,017,893)</u>	<u>0</u>	<u>(1,017,893)</u>	
Business-Type Activities:								
Lottery	21,981	131,324	574			109,917	109,917	
Revolving Economic Development & Initiative	858	1,106	2,845			3,093	3,093	
Clean Water State Revolving	1,466	3,002	7,676			9,212	9,212	
Other	54,269	39,241	29,038			14,010	14,010	
Total Business-Type Activities	<u>78,574</u>	<u>174,673</u>	<u>40,133</u>	<u>0</u>	<u>0</u>	<u>136,232</u>	<u>136,232</u>	
Total Primary Government	<u>\$ 2,365,435</u>	<u>\$ 398,269</u>	<u>\$ 1,083,721</u>	<u>\$ 1,784</u>	<u>(1,017,893)</u>	<u>136,232</u>	<u>(881,661)</u>	
Component Units:								
Higher Education	\$ 352,514	\$ 140,897	\$ 84,856	\$ 18,867				\$ (107,894)
Housing Authority	118,299	109,269	23,870					14,840
Finance Authority	1,494	987						(507)
CREP Program	529	455						(74)
Total Component Units	<u>\$ 472,836</u>	<u>\$ 251,608</u>	<u>\$ 108,726</u>	<u>\$ 18,867</u>				<u>(93,635)</u>
General Revenues:								
Taxes:								
Sales Taxes					471,025		471,025	
Motor Fuel Taxes					125,252		125,252	
Contractors Excise Taxes					53,449		53,449	
Bank Card and Franchise Taxes					41,784		41,784	
Other Taxes					198,776		198,776	
Unrestricted Investment Earnings					53,422		53,422	4,095
State Aid								131,462
Gain on Sale of Capital Assets					1,048		1,048	
Miscellaneous					31,428		31,428	
Transfers					108,925	(108,925)		
Total General Revenues and Transfers					<u>1,085,109</u>	<u>(108,925)</u>	<u>976,184</u>	<u>135,557</u>
Changes in Net Assets					67,216	27,307	94,523	41,922
Net Assets - Beginning					3,223,899	260,094	3,483,993	496,126
Net Assets - Ending					<u>\$ 3,291,115</u>	<u>\$ 287,401</u>	<u>\$ 3,578,516</u>	<u>\$ 538,048</u>

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

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2002
(Expressed in Thousands)**

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Nonmajor	Total
Assets						
Cash and Cash Equivalents	\$ 81,949	\$ 52,941	\$	\$	\$ 452,194	\$ 587,084
Investments				225,367	105,857	331,224
Securities Lending Collateral	21,518	11,363		17,223	100,109	150,213
Receivables From:						
Taxes (net)	73,649	14,870			3,004	91,523
Interest and Dividends	5,941	266	9	1,923	2,349	10,488
Other Funds	12,545	624	35		24,291	37,495
Component Units					15	15
Other Governments	581	22,842	33,525		47,100	104,048
Loans and Notes (net)		312			21,958	22,270
Other (net)	1,646	134	1,051	2,630	5,011	10,472
Inventory	1,547	10,568	732		1,680	14,527
Investments - Restricted					10,000	10,000
Deferred Fiscal Charges and Other Assets	649		286		971	1,906
Total Assets	\$ 200,025	\$ 113,920	\$ 35,638	\$ 247,143	\$ 774,539	\$ 1,371,265
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 33,854	\$ 34,575	\$ 29,503	\$	\$ 27,455	\$ 125,387
Payable To:						
Other Funds	3,921	16,135	4,583		13,648	38,287
Component Units	120		57		951	1,128
Other Governments	20,990	90	28		26,761	47,869
Claims, Judgments and Compensated Absences	146	103	26		135	410
Deferred Revenue	5,024		1,157		37,476	43,657
Securities Lending Collateral Liability	21,518	11,363		17,223	100,109	150,213
Total Liabilities	85,573	62,266	35,354	17,223	206,535	406,951
Fund Balances:						
Reserved For:						
Encumbrances	18,098	1,354	118		22,310	41,880
Debt Service					82,586	82,586
Restricted Funds					10,000	10,000
School Perpetuity					23,101	23,101
Noncurrent Assets		263			19,651	19,914
Unreserved Designated	39,325					39,325
Unreserved Undesignated, Reported In:						
General Fund	57,029					57,029
Special Revenue Funds		50,037	166	229,920	410,125	690,248
Capital Project Funds					231	231
Total Fund Balances	114,452	51,654	284	229,920	568,004	964,314
Total Liabilities and Fund Balances	\$ 200,025	\$ 113,920	\$ 35,638	\$ 247,143	\$ 774,539	\$ 1,371,265

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

**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2002
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 964,314

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	783,984	
Infrastructure	2,522,567	
Other Capital Assets	384,538	
Accumulated Depreciation	<u>(1,181,753)</u>	
Total Capital Assets		2,509,336

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. 5,219

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. 24,880

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	(137,014)	
Accrued Interest on Bonds	(3,859)	
Capital Leases	(28,636)	
Compensated Absences	(42,505)	
Workers Compensation	<u>(620)</u>	
Total Long-Term Liabilities		<u>(212,634)</u>

Net Assets of Governmental Activities \$ 3,291,115

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, 2002
(Expressed in Thousands)**

	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Nonmajor</u>	<u>Total</u>
Revenue:						
Taxes	\$ 657,529	\$ 173,805	\$	\$	\$ 58,954	\$ 890,288
Licenses, Permits and Fees	5,189	2,656			129,072	136,917
Fines, Forfeits and Penalties	498				6,347	6,845
Use of Money and Property	23,060	3,173	106	14,800	22,419	63,558
Sales and Services	5,387	1,085			12,639	19,111
Administering Programs		235,722	416,445		375,693	1,027,860
Other Revenue	5,926	2,626	2,230		35,645	46,427
Total Revenue	<u>697,589</u>	<u>419,067</u>	<u>418,781</u>	<u>14,800</u>	<u>640,769</u>	<u>2,191,006</u>
Expenditures:						
Current:						
General Government	32,084	38		108	29,475	61,705
Education	36,908				100,788	137,696
Education - State Aid to School Districts	320,748				2,592	323,340
Education - State Aid to Universities	131,462					131,462
Health and Human Services	239,250		420,151		174,823	834,224
Law, Justice and Public Protection	83,340	14,389			51,928	149,657
Agriculture and Natural Resources	12,271				85,026	97,297
Commerce and Regulation	3,082				10,197	13,279
Economic Resources	2,187				25,946	28,133
Transportation	457	403,545			7,524	411,526
State Shared Revenue Paid to Other Governments	18,014				62,420	80,434
Capital Outlay					5	5
Debt Service:						
Principal					11,428	11,428
Interest					7,743	7,743
Total Expenditures	<u>879,803</u>	<u>417,972</u>	<u>420,151</u>	<u>108</u>	<u>569,895</u>	<u>2,287,929</u>
Excess of Revenues Over (Under) Expenditures	(182,214)	1,095	(1,370)	14,692	70,874	(96,923)
Other Financing Sources (Uses):						
Proceeds of Refunding Bonds					444	444
Operating Transfers In	159,176	295	1,397		217,358	378,226
Operating Transfers Out	(16,913)	(1,552)		(12,000)	(239,857)	(270,322)
Net Other Financing Sources (Uses)	<u>142,263</u>	<u>(1,257)</u>	<u>1,397</u>	<u>(12,000)</u>	<u>(22,055)</u>	<u>108,348</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(39,951)	(162)	27	2,692	48,819	11,425
Fund Balances at Beginning of Year, restated	<u>154,403</u>	<u>51,816</u>	<u>257</u>	<u>227,228</u>	<u>519,185</u>	<u>952,889</u>
Fund Balances at End of Year	<u>\$ 114,452</u>	<u>\$ 51,654</u>	<u>\$ 284</u>	<u>\$ 229,920</u>	<u>\$ 568,004</u>	<u>\$ 964,314</u>

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

STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 11,425

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	136,808	
Depreciation Expense	<u>(61,664)</u>	
Excess of Depreciation Expense Over Capital Outlay		75,144

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (29,075)

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	11,428	
Capital Lease Payments	<u>1,242</u>	
Total Long-Term Debt Repayment		12,670

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported in governmental activities. 469

Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues decreased by this amount this year. 67

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	(496)	
(Increase) Decrease in Compensated Absences	(3,186)	
(Increase) Decrease in Workers Compensation	<u>198</u>	
Total Additional Expenditures		<u>(3,484)</u>

Change in Net Assets of Governmental Activities \$ 67,216

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, 2002

(Expressed in Thousands)

Assets	Business Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major			Nonmajor	Total	
	Lottery	Revolving Economic Development & Initiative	Clean Water State Revolving			
Current Assets:						
Cash and Cash Equivalents	\$ 6,628	\$ 47,834	\$ 7,419	\$ 76,709	\$ 138,590	\$ 45,121
Receivables:						
Interest and Dividends	93	509	1,715	650	2,967	398
Other Funds				324	324	7,316
Component Units		47		41	88	908
Other Governments			156	623	779	56
Loans and Notes (Net)		8,647	5,904	2,331	16,882	
Other (Net)	4,525	8		1,007	5,540	527
Investments			2,115		2,115	
Inventory				1,624	1,624	1,930
Securities Lending Collateral	1,282	10,319		3,190	14,791	9,722
Deferred Fiscal Charges and Other Assets	11		44	110	165	1,624
Total Current Assets	12,539	67,364	17,353	86,609	183,865	67,602
Investments			47,566	7,554	55,120	
Capital Assets:						
Land and Other Non-depreciable Assets				354	354	
Property, Plant and Equipment	946			4,790	5,736	62,237
Accumulated Depreciation	(934)			(3,464)	(4,398)	(41,024)
Construction in Progress				1,214	1,214	1,413
Total Capital Assets	12	0	0	2,894	2,906	22,626
Other Noncurrent Assets		17,497	60,937	26,021	104,455	
Total Assets	12,551	84,861	125,856	123,078	346,346	90,228
Liabilities						
Current Liabilities:						
Accounts Payable and Other Current Liabilities	1,670	25	69	3,036	4,800	4,141
Payable To:						
Other Funds	4,221	3		1,011	5,235	1,582
Component Units					0	27
Escrow Payable	27				27	
Bonds, Notes and Leases Payable			850	230	1,080	3,783
Claims, Judgments and Compensated Absences	97	19	16	331	463	15,397
Accrued Interest Payable			460	223	683	
Deferred Revenue	97			988	1,085	4,691
Securities Lending Collateral Liability	1,282	10,319		3,190	14,791	9,722
Total Current Liabilities	7,394	10,366	1,395	9,009	28,164	39,343
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable			19,209	11,095	30,304	5,993
Claims, Judgments and Compensated Absences	100	19	17	341	477	20,012
Total Liabilities	7,494	10,385	20,621	20,445	58,945	65,348
Net Assets						
Invested In Capital Assets, Net of Related Debt	12			2,869	2,881	12,850
Restricted For:						
Unemployment Compensation				56,525	56,525	
Debt Service			2,536	953	3,489	
Environmental Projects			102,699	23,512	126,211	
Revolving Loan Programs				11,203	11,203	
Unrestricted	5,045	74,476		7,571	87,092	12,030
Total Net Assets	\$ 5,057	\$ 74,476	\$ 105,235	\$ 102,633	\$ 287,401	\$ 24,880

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, 2002
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major				Total	
	Lottery	Revolving Economic Development & Initiative	Clean Water State Revolving	Nonmajor		
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,150	\$	\$	\$ 4,615	\$ 5,765	\$
Use of Money and Property		724	2,324	1,817	4,865	6
Sales and Services	130,144		678	12,647	143,469	144,399
Administering Programs			4,825	24,420	29,245	
Assessments				19,466	19,466	
Other Revenue				467	467	555
Total Operating Revenue	131,294	724	7,827	63,432	203,277	144,960
Operating Expenses:						
Personal Services and Benefits	1,210	287	154	4,986	6,637	26,713
Travel	131	18	7	706	862	647
Contractual Services	5,730	132	113	4,750	10,725	32,195
Supplies and Materials	680	11	1	9,479	10,171	12,310
Other		133		314	447	
Interest			1,150	475	1,625	529
Depreciation/Amortization	2		41	170	213	7,896
Lottery Prizes	14,144				14,144	
Insurance Claims				33,251	33,251	66,500
Total Operating Expenses	21,897	581	1,466	54,131	78,075	146,790
Operating Income (Loss)	109,397	143	6,361	9,301	125,202	(1,830)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	215
Loss on Disposal of Assets					0	(304)
Interest Income	574	2,845	2,851	4,618	10,888	2,244
Interest Expense				(57)	(57)	
Other Expense	(84)	(277)		(81)	(442)	(235)
Grant and Other Income	30	382		229	641	
Total Nonoperating Revenue (Expenses)	520	2,950	2,851	4,709	11,030	1,920
Income (Loss) Before Transfers	109,917	3,093	9,212	14,010	136,232	90
Transfers:						
Transfers In				873	873	620
Transfers Out	(109,271)		(25)	(502)	(109,798)	(241)
Net Transfers In (Out)	(109,271)	0	(25)	371	(108,925)	379
Change in Net Assets	646	3,093	9,187	14,381	27,307	469
Net Assets At Beginning of Year, restated	4,411	71,383	96,048	88,252	260,094	24,411
Net Assets at End of Year	\$ 5,057	\$ 74,476	\$ 105,235	\$ 102,633	\$ 287,401	\$ 24,880

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, 2002
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Lottery	Revolving Economic Development & Initiative	Clean Water State Revolving	Nonmajor	Total	
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 131,299	\$ 67	\$ 654	\$ 30,115	\$ 162,135	\$ 49,225
Receipts from Interfund Services Provided				8,895	8,895	96,368
Receipts from Federal Agencies			4,896	23,414	28,310	
Receipts from Loan Payments		5,736	11,729	4,558	22,023	
Payments to Suppliers and for Benefits and Claims	(5,787)	(294)	(110)	(48,596)	(54,787)	(100,121)
Payments for Employee Services	(1,178)	(244)	(148)	(4,873)	(6,443)	(26,187)
Payments for Interfund Services Used	(819)	(43)		(1,296)	(2,158)	(12,722)
Payments for Lottery Prizes	(14,013)				(14,013)	
Payments for Loans Originated		(7,560)	(11,991)	(4,711)	(24,262)	
Other Receipts (Payments)	5	325		135	465	504
Net Cash Provided (Used) by Operating Activities	109,507	(2,013)	5,030	7,641	120,165	7,067
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets				(841)	(841)	(4,891)
Sales of Capital Assets						726
Payments on Notes						(112)
Payments on Capital Lease Obligations				(4)	(4)	(5,665)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(845)	(845)	(9,942)
Cash Flows From Noncapital Financing Activities:						
Transfers In				873	873	599
Transfers Out	(109,594)		(25)	(316)	(109,935)	(239)
Received on Interfund Borrowing				102	102	
Issuance of Bonds			4,405	5,270	9,675	
Payments on Bonds and Notes			(900)	(215)	(1,115)	
Bond Issuance Costs			(142)	(154)	(296)	
Interest Payments on Bonds and Notes			(987)	(375)	(1,362)	
Net Cash Provided (Used) by Noncapital Financing Activities	(109,594)	0	2,351	5,185	(102,058)	360
Cash Flows From Investing Activities:						
Investment Income	586	2,933	2,660	4,558	10,737	2,401
Purchase of Investment Securities			(13,909)	(2,484)	(16,393)	
Proceeds from the Sale and Maturity of Investments			8,694	807	9,501	
Security Lending Rebate Fees	(55)	(277)		(81)	(413)	(235)
Net Cash Provided (Used) by Investing Activities	531	2,656	(2,555)	2,800	3,432	2,166
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	444	643	4,826	14,781	20,694	(349)
Cash and Cash Equivalents at Beginning of Year, restated	6,184	47,191	2,593	61,928	117,896	45,470
Cash and Cash Equivalents at End of Year	\$ 6,628	\$ 47,834	\$ 7,419	\$ 76,709	\$ 138,590	\$ 45,121

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STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Lottery	Revolving Economic Development & Initiative	Clean Water State Revolving	Nonmajor		Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 109,397	\$ 143	\$ 6,361	\$ 9,301	\$ 125,202	\$ (1,830)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	2		41	170	213	7,896
Interest Expense			1,150	475	1,625	624
Miscellaneous Nonoperating Items		382		135	517	
Decrease/(Increase) in Assets:						
Accounts Receivable	17	(1)		236	252	(218)
Interest, Dividends & Penalties Receivable		(9)	(86)	(55)	(150)	
Loans and Notes Receivable		(2,601)	(2,499)	(1,347)	(6,447)	
Due From Other Funds		11		343	354	98
Due From Component Units		62		26	88	(182)
Due From Other Governments			47	(216)	(169)	
Inventory				(128)	(128)	(639)
Deferred Fiscal Charges and Other Assets				(34)	(34)	(301)
Increase/(Decrease) in Liabilities:						
Accounts Payable	91		10	(1,293)	(1,192)	324
Accrued Liabilities	(1)	1	1	25	26	117
Compensated Absences Payable	28	(1)	5	80	112	402
Due To Other Funds	(40)			28	(12)	(67)
Due to Component Units						(35)
Deferred Revenue	7			(105)	(98)	946
Escrow Payable	2				2	
Policy Claim Liabilities						(68)
Other Liabilities	4				4	
Net Cash Provided (Used) by Operating Activities	<u>\$ 109,507</u>	<u>\$ (2,013)</u>	<u>\$ 5,030</u>	<u>\$ 7,641</u>	<u>\$ 120,165</u>	<u>\$ 7,067</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets						(89)
Capital Lease Obligations Entered Into				28	28	4,732
Transfers In (Out) of Fixed Assets				(186)	(186)	17
Other				2,225	2,225	

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, 2002
(Expressed in Thousands)

Assets	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 16,048	\$ 8,284	\$ 24,218
Receivables:			
Employer	2,408		
Employee	5,791		
Benefits	79		
Unsettled Investment Sales	21,238		
Taxes Receivable			21,244
Due From Other Funds		69	
Due From Other Governments			523
Investment Income	21,035	990	71
Other		5,116	99
Total Receivables	50,551	6,175	21,937
Investments, at Fair Value:			
Fixed Income	1,829,621		
Equities	2,375,585		
Real Estate	295,510		
Private Equity	171,503		
Pooled Investment Funds		105,582	
Money Market		3	
Total Investments	4,672,219	105,585	0
Securities Lending Collateral	256,841	15,680	
Due From Broker	79		
Properties, at Cost	51	9,999	
Accumulated Depreciation	(28)		
Other Assets	23	20	
Total Assets	4,995,784	145,743	\$ 46,155
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,750	4,210	\$ 10,082
Due To Other Funds	21	79	
Due To Other Governments			36,073
Compensated Absences Payable	219		
Securities Sold, But Not Yet Purchased, at Fair Value	66,719		
Unsettled Investment Purchases	13,090		
Securities Lending Collateral Liability	256,841	15,680	
Total Liabilities	339,640	19,969	\$ 46,155
Net Assets			
Held in Trust For:			
Pension Benefits	4,656,144		
Individuals and Other Governments		125,774	
Total Net Assets	\$ 4,656,144	\$ 125,774	

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, 2002
(Expressed in Thousands)

Additions	Pension Trust Funds	Private Purpose Trust Funds
Contributions:		
Employee	\$ 66,311	\$
Employer	58,545	
From Participants		730
From Clients and Inmates		4,181
Total Contributions	124,856	4,911
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	(391,028)	(2,441)
Interest	93,418	6,675
Dividends	45,930	447
Real Estate	11,420	
Investment Activity Income	(240,260)	4,681
Less Investment Activity Expenses	(11,387)	
Net Investment Activity Income	(251,647)	4,681
<i>From Security Lending Activities</i>		
Security Lending Income	7,685	109
Security Lending Expenses	(6,573)	(99)
Net Security Lending Activity Income	1,112	10
Net Investment Income (Loss)	(250,535)	4,691
Escheated Property		120
Gain from Sale of Assets		88
Miscellaneous Income		3,119
Transfers From Other Funds	481	
Total Additions	(125,198)	12,929
Deductions		
Benefits	168,035	
Refunds of Contributions	22,130	
Distribution to School Districts		10,381
Payments made for Trust Purposes		4,910
Administrative Expenses	2,577	51
Transfers to Other Funds		6
Total Deductions	192,742	15,348
Net Increase (Decrease)	(317,940)	(2,419)
Net Assets Held In Trust		
Beginning of Year, restated	4,974,084	128,193
End of Year	\$ 4,656,144	\$ 125,774

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

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2002
(Expressed in Thousands)

	Business-Type Activities				Total
	Housing Authority	Finance Authority	CREP Program	Higher Education	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 240,053	\$ 1,927	\$ 833	\$ 63,825	\$ 306,638
Receivables:					
Interest and Dividends	9,682	148	290	567	10,687
Primary Government				1,155	1,155
Other Governments				3,850	3,850
Loans and Notes (Net)	27,757	664	710	5,766	34,897
Other (Net)			2	5,690	5,692
Investments	105,029	1,226			106,255
Inventory	1,957			5,344	7,301
Securities Lending Collateral				13,681	13,681
Deferred Fiscal Charges and Other Assets			115	1,860	1,975
Total Current Assets	<u>384,478</u>	<u>3,965</u>	<u>1,950</u>	<u>101,738</u>	<u>492,131</u>
Investments	313,157	3,671		1,735	318,563
Restricted Assets:					
Cash and Cash Equivalents				2,955	2,955
Investments		4,968			4,968
Capital Assets:					
Land and Other Non-depreciable Assets				4,029	4,029
Property, Plant and Equipment	3,028			476,123	479,151
Accumulated Depreciation	(1,591)			(245,815)	(247,406)
Construction in Progress				35,520	35,520
Total Capital Assets	<u>1,437</u>			<u>269,857</u>	<u>271,294</u>
Other Noncurrent Assets (net)	<u>1,113,655</u>	<u>7,206</u>	<u>4,728</u>	<u>27,307</u>	<u>1,152,896</u>
Total Assets	<u><u>1,812,727</u></u>	<u><u>19,810</u></u>	<u><u>6,678</u></u>	<u><u>403,592</u></u>	<u><u>2,242,807</u></u>
Liabilities					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	3,890	117	2	10,423	14,432
Payable To:					
Primary Government	50	47		914	1,011
Other Governments		87			87
Escrow Payable	23,128				23,128
Bonds, Notes and Leases Payable	29,863	580	891	4,371	35,705
Claims, Judgments and Compensated Absences	115			8,554	8,669
Accrued Interest Payable	12,984		60	1,589	14,633
Deferred Revenue			21	383	404
Securities Lending Collateral Liability				13,681	13,681
Other Current Liabilities		4		1,160	1,164
Total Current Liabilities	<u>70,030</u>	<u>835</u>	<u>974</u>	<u>41,075</u>	<u>112,914</u>
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	1,451,466	6,140	4,870	74,873	1,537,349
Claims, Judgments and Compensated Absences	41			19,995	20,036
Federal Capital Contribution Refundable Advance				31,117	31,117
Other Noncurrent Liabilities		3,343			3,343
Total Liabilities	<u>1,521,537</u>	<u>10,318</u>	<u>5,844</u>	<u>167,060</u>	<u>1,704,759</u>
Net Assets					
Invested In Capital Assets, Net of Related Debt	1,437			196,599	198,036
Restricted For:					
Debt Service	289,753	3,000		2,955	295,708
Higher Education - Expendable				5,556	5,556
Higher Education - Nonexpendable				4,599	4,599
Other Purposes		1,968			1,968
Unrestricted		4,524	834	26,823	32,181
Total Net Assets	<u><u>\$ 291,190</u></u>	<u><u>\$ 9,492</u></u>	<u><u>\$ 834</u></u>	<u><u>\$ 236,532</u></u>	<u><u>\$ 538,048</u></u>

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	Business-Type Activities				Total
	Housing Authority	Finance Authority	CREP Program	Higher Education	
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of \$10,408)	\$	\$	\$	\$ 85,119	\$ 85,119
Use of Money and Property	101,292	987	455		102,734
Sales and Services (net of discounts and allowances for scholarships of \$4,492)				55,723	55,723
Administering Programs				74,819	74,819
Other Revenue	7,977			55	8,032
Total Operating Revenue	<u>109,269</u>	<u>987</u>	<u>455</u>	<u>215,716</u>	<u>326,427</u>
Operating Expenses:					
Personal Services and Benefits	1,864		38	222,901	224,803
Travel	201			8,114	8,315
Contractual Services	5,470	34	92	39,769	45,365
Supplies and Materials	107			39,542	39,649
Grants and Subsidies	3,790	1,000		16,991	21,781
Other	364	19		1,173	1,556
Interest	81,404	441	380	2,607	84,832
Depreciation/Amortization	3,464		19	14,792	18,275
Total Operating Expenses	<u>96,664</u>	<u>1,494</u>	<u>529</u>	<u>345,889</u>	<u>444,576</u>
Operating Income (Loss)	12,605	(507)	(74)	(130,173)	(118,149)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets				(305)	(305)
Interest Income	21		18	4,056	4,095
Interest Expense				(799)	(799)
Other Expense	(21,635)			(2,461)	(24,096)
State Aid from Primary Government				131,462	131,462
Federal Appropriation				6,313	6,313
Grant and Other Income	23,870			3,724	27,594
Depreciation				(3,060)	(3,060)
Total Nonoperating Revenue (Expenses)	<u>2,256</u>	<u>0</u>	<u>18</u>	<u>138,930</u>	<u>141,204</u>
Income (Loss) Before Capital Grants	14,861	(507)	(56)	8,757	23,055
Capital Grants				18,867	18,867
Change in Net Assets	14,861	(507)	(56)	27,624	41,922
Net Assets At Beginning of Year, restated	<u>276,329</u>	<u>9,999</u>	<u>890</u>	<u>208,908</u>	<u>496,126</u>
Net Assets at End of Year	<u>\$ 291,190</u>	<u>\$ 9,492</u>	<u>\$ 834</u>	<u>\$ 236,532</u>	<u>\$ 538,048</u>

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

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	<u>Housing Authority</u>	<u>Finance Authority</u>	<u>CREP Program</u>	<u>Higher Education</u>	<u>Totals</u>
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 8,082	\$	\$	\$ 161,458	\$ 169,540
Receipts from Grants and Contracts				54,891	54,891
Receipts from Loan Payments	239,694	812	1,283	5,655	247,444
Payments to Suppliers and for Benefits and Claims	(4,273)	(34)	(128)	(94,740)	(99,175)
Payments for Employee Services	(2,180)			(221,524)	(223,704)
Payments for Loans Originated	(203,230)	(450)		(5,533)	(209,213)
Payments for Student Financial Aid				(11,592)	(11,592)
Other Receipts		557		3,758	4,315
Other Payments	(5,627)	(1,001)		(3,172)	(9,800)
Net Cash Provided (Used) by Operating Activities	<u>32,466</u>	<u>(116)</u>	<u>1,155</u>	<u>(110,799)</u>	<u>(77,294)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets	(194)			(39,457)	(39,651)
Capital Grants				15,539	15,539
Sales of Capital Assets				51	51
Issuance of Bonds				5,000	5,000
Payments on Capital Lease Obligations				(204)	(204)
Interest Payments on Bonds and Notes				(3,624)	(3,624)
Payments on Bonds and Notes				(4,063)	(4,063)
Net Cash Provided (Used) by Capital and Related Financial Activities	<u>(194)</u>	<u>0</u>	<u>0</u>	<u>(26,758)</u>	<u>(26,952)</u>
Cash Flows From Noncapital Financing Activities:					
State Aid From Primary Government				131,462	131,462
Federal Appropriations				7,442	7,442
Issuance of Bonds	356,445				356,445
Issuance of Notes and Loans		128			128
Payments on Bonds and Notes Payable	(334,321)	(550)	(831)		(335,702)
Payments on Loans		(165)			(165)
Bond Issuance Costs	(1,615)				(1,615)
Stafford and PLUS Loan Receipts				63,359	63,359
Stafford and PLUS Loan Disbursements				(63,354)	(63,354)
Interest Payments on Bonds and Notes	(82,910)	(449)	(388)		(83,747)
Other Noncapital Financing Activity	1,223			4,179	5,402
Net Cash Provided (Used) From Noncapital Financing Activities	<u>(61,178)</u>	<u>(1,036)</u>	<u>(1,219)</u>	<u>143,088</u>	<u>79,655</u>
Cash Flows From Investing Activities					
Investment Income	27,925	849	19	1,067	29,860
Purchase of Investment Securities	(377,714)	(5,961)			(383,675)
Proceeds from the Sale and Maturity of Investments	375,272	5,592			380,864
Security Lending Rebate Fees				(97)	(97)
Net Cash Provided by Investing Activities	<u>25,483</u>	<u>480</u>	<u>19</u>	<u>970</u>	<u>26,952</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(3,423)	(672)	(45)	6,501	2,361
Cash and Cash Equivalents at Beginning of Year, restated	<u>243,476</u>	<u>2,599</u>	<u>878</u>	<u>60,279</u>	<u>307,232</u>
Cash and Cash Equivalents at End of Year	<u>\$ 240,053</u>	<u>\$ 1,927</u>	<u>\$ 833</u>	<u>\$ 66,780</u>	<u>\$ 309,593</u>

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STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS (Continued)
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	<u>Housing Authority</u>	<u>Finance Authority</u>	<u>CREP Program</u>	<u>Higher Education</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 12,605	\$ (507)	\$ (74)	\$ (130,173)	\$ (118,149)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	3,464		19	14,792	18,275
Bad Debt Expense		19			19
Investment Income	(30,148)	(515)			(30,663)
Interest Expense	81,404	441	380	2,607	84,832
Miscellaneous Nonoperating Items	(3,394)				(3,394)
Decrease/(Increase) in Assets:					
Accounts Receivable	109			(1,032)	(923)
Interest, Dividends & Penalties Receivable	(279)	5	41	(21)	(254)
Loans and Notes Receivable	(30,166)	438	785	(939)	(29,882)
Due From Other Governments				288	288
Inventory	387			357	744
Deferred Fiscal Charges and Other Assets				1,514	1,514
Increase/(Decrease) in Liabilities:					
Accounts Payable and Other Current Liabilities	71	4	(4)	176	247
Compensated Absences Payable	(17)			1,243	1,226
Due to Primary Government	34			166	200
Deferred Revenue			8	(93)	(85)
Escrow Payable	(1,604)	(1)			(1,605)
Other Liabilities				316	316
Total Adjustments	<u>19,861</u>	<u>391</u>	<u>1,229</u>	<u>19,374</u>	<u>40,855</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 32,466</u>	<u>\$ (116)</u>	<u>\$ 1,155</u>	<u>\$ (110,799)</u>	<u>\$ (77,294)</u>
Noncash Investing, Capital and Financing Activities:					
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$ (305)	\$ (305)
Gifts and Donations of Fixed Assets				1,624	1,624
Other				(506)	(506)

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

The following entities are reported as component units:

- Conservation Reserve Enhancement Program (CREP)
- South Dakota Finance Authority
- South Dakota Housing Authority
- Higher Education

Related Organizations – The Health and Educational Facilities Authority is excluded from the reporting entity because the state's accountability does not extend beyond

appointing a voting majority of the organization's board members.

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

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary, Fiduciary, and Similar Component Units Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues

and expenses not meeting this definition, such as subsidies and investment earnings are reported as nonoperating.

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

Financial Statement Presentation

The state reports the following major governmental funds:

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

The 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 Transportation Fund accounts for dedicated state tax revenue and federal awards for the construction, maintenance, and supervision of state highways and bridges.

The Social Services Fund accounts for federal funds received by the Department of Social Services to fund social welfare 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 Revolving Economic Development Loan Fund is used to provide low interest loans for economic development projects.

The State Lottery Operating 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.

The **Debt Service Fund** administered by the South Dakota Building Authority accounts for resources

accumulated for the retirement of long-term debt principal and interest.

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

E. Budgetary Accounting

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

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

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

The state's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2002 totaled \$41,880,000.

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

Cash and Cash Equivalents and Investments

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

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

Receivables

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

Inventories

Inventories reported in the governmental fund types are reported at cost using the moving average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the higher education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2002 market price. Inventories are expensed using the consumption method.

Food stamps and federal commodities on hand are reported as inventories, offset by deferred revenue. Food stamp inventory is reported at face value and commodities are reported at fair value established by the federal government at the date received. At June 30, 2002, the food stamp inventory was reported in the amount of \$731,524 and the commodities inventory was reported in the amount of \$409,000.

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. The State does not Property, plant, and equipment acquired through capital leases are capitalized at fair market value at the inception of the lease.

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

Depreciable capital assets of the primary government, as well as the component units, are depreciated using the

straight line method over the following estimated useful lives:

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

The state owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business type activity component unit, adopted the state's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$7,445,550 and \$379,085, respectively, as of June 30, 2002. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

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

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

Net Assets/Fund Balances

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

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

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

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

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

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

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the general fund. The maximum balance of the budget reserve is five percent of the prior year's general fund appropriation. The balance in the budget reserve at June 30, 2002 was \$39,325,000 and is reported under the unreserved designated account in the general fund.

G. Compensated Absences

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

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

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the lottery endorsed on it as a payee. As of June 30, 2002, the amount of certificate of deposits being held by the lottery was \$657,003 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,114,900 was in the form of surety bonds, or irrevocable letters of credit and is not reported on the balance sheet.

I. Interfund Activity and Balances

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

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

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

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Implementation of Accounting Pronouncements

For the reporting period ended June 30, 2002, the state implemented the following accounting standards issued by the GASB:

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments;

Statement No. 35, Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities;

Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus;

Statement No. 38, Certain Financial Statement Note Disclosures; and,

Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

Statement No. 34, as amended by Statement No. 37, establishes new financial reporting standards for state and local governments. The new reporting standards represent a significant change in the financial reporting model used by state governments, including statement formats and changes in fund types and the elimination of account groups. Governments are required to present government-wide financial statements, prepared using the accrual basis of accounting and the economic resources measurement focus. The statement also requires reporting of major funds. The changes in financial reporting standards required fund reclassifications and adjustments to the fund equities reported in the prior year’s financial statements.

Statement No. 35 establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of Statement No. 34. The state universities are reported as discretely presented component units of the state.

The provisions of these new standards resulted in significant changes to the state’s financial statements and related notes to the financial statements for both the primary government and component units. The changes resulted primarily from implementation of these GASB statements; however, the following additional significant restatements occurred.

Reporting Entity Changes

In fiscal year 2002, the State Fair was reclassified from a discretely presented component unit enterprise fund to a primary government enterprise fund, since the state now exercises administrative control over the entity.

Restatements

The beginning fund balance for the transportation fund, reported as a major governmental fund and the aeronautics fund, reported as a nonmajor governmental fund, were decreased by \$287,000 and \$333,000, respectively, for the restatement of liabilities.

The beginning fund balance for the Building Authority capital projects fund was increased by \$54,000 for the restatement of accrued interest payable in accordance with GASB Interpretation 6, recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The beginning fund balance for nonmajor enterprise funds was increased by \$55,000 for the restatement of cash and was decreased by \$2,222,000 for the change in the state’s capitalization policy for land improvements, buildings, and building improvements from \$5,000 to \$50,000 or greater for land improvements and \$100,000 or greater for buildings and building improvements.

The deferred compensation fund, previously reported as an expendable trust fund was removed from the state’s financial statements. The state reevaluated the reporting requirements for this fund and concluded that reporting was not required, since the state has limited administrative involvement and does not perform the investing function for the plan. This is shown as a \$69,988,000 decrease to beginning equity in expendable trust funds in the table below.

Other Changes

Statement No. 34 limited the use of agency funds to the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, or other governments. Previously, the state reported amounts that were being held pending distribution to other state funds in its agency funds. Beginning assets and liabilities were reduced in agency funds by \$181,655,000. This did not affect equity in other funds, but did result in the restatement of beginning cash balances in the proprietary fund Statement of Cash Flows.

The Water Pollution Control Revolving Fund was renamed the Clean Water State Revolving Fund.

The following tables summarize (in thousands) changes to fund equities as previously reported on the Combined Balance Sheet to net assets for the primary government.

	Equity as Previously Reported June 30, 2001	Fund Reclassification	Change In Reporting Entity	Prior Period Adjustments	Net Assets as Restated July 1, 2001
Governmental Activities:					
Major Funds:					
General Fund	\$ 154,403	\$	\$	\$	\$ 154,403
Transportation Fund	52,103			(287)	51,816
Social Services Federal Fund	257				257
Dakota Cement Trust Fund		227,228			227,228
Nonmajor Governmental Funds:					
Special Revenue Funds	357,212	48,492		(333)	405,371
Debt Service Funds	89,446			54	89,500
Capital Projects Funds	681				681
Permanent Funds	0	23,633			23,633
Total Nonmajor Funds	447,339	72,125	0	(279)	519,185
Total Governmental Funds	<u>\$ 654,102</u>	<u>\$ 299,353</u>	<u>\$ 0</u>	<u>\$ (566)</u>	<u>952,889</u>
Adoption of GASB Statement 34					
Capital Assets, Net of Depreciation					2,463,269
Long-term Liabilities					(219,961)
Other Assets					1,609
Other Liabilities					(3,470)
Revenue Recognition					5,152
Internal Service Funds					24,411
Total Adoption of GASB Statement 34					<u>2,271,010</u>
					<u>\$ 3,223,899</u>
Business-type Activities:					
Major Funds:					
Lottery Fund	\$ 4,411	\$	\$	\$	\$ 4,411
Revolving Economic Development and Initiative Fund	71,383				71,383
Clean Water State Revolving Fund	96,048				96,048
Nonmajor Funds:					
Enterprise	25,468	63,192	1,759	(2,167)	88,252
Internal Service	24,411	(24,411)			0
Total Business-Type Activities	<u>\$ 221,721</u>	<u>\$ 38,781</u>	<u>\$ 1,759</u>	<u>\$ (2,167)</u>	<u>\$ 260,094</u>
Fiduciary Funds:					
Pension Trust Funds	\$ 4,974,084	\$	\$	\$	\$ 4,974,084
Nonexpendable Trust Funds	211,867	(211,867)			0
Expendable Trust Funds	350,742	(280,754)		(69,988)	0
Private Purpose Trust Funds		128,193			128,193
Total Fiduciary Funds	<u>\$ 5,536,693</u>	<u>\$ (364,428)</u>	<u>\$ 0</u>	<u>\$ (69,988)</u>	<u>\$ 5,102,277</u>

The following tables summarize (in thousands) changes to fund equities as previously reported on the Combined Balance Sheet to net assets for component units.

	Equity as Previously Reported June 30, 2001	Fund Reclassification	Change In Reporting Entity	Prior Period Adjustments	Net Assets as Restated July 1, 2001
Component Unit - Enterprise:					
Housing Authority	\$ 255,553	\$ 20,776	\$	\$	\$ 276,329
Finance Authority	9,999				9,999
CREP Program	890				890
State Fair	1,759		(1,759)		0
Component Unit - Special Revenue:					
Housing Authority	20,776	(20,776)			0
Higher Education	459,954			(251,046)	208,908
Total Component Units	<u>\$ 748,931</u>	<u>\$ 0</u>	<u>\$ (1,759)</u>	<u>\$ (251,046)</u>	<u>\$ 496,126</u>

3. CASH, DEPOSITS, AND INVESTMENTS

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

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the general fund was reduced by \$12,713,201 for deficit cash balances that existed in various state funds at June 30, 2002, and is reported as an interfund receivable.

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

Deposits

A. Primary Government

As of June 30, 2002, the carrying amount of deposits was \$51,663,423 and the bank balance was \$51,663,423. Of the bank balance, \$22,658,515 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$28,945,338 was collateralized with securities held by the pledging financial institution's trust department, or its agent in the primary government's name (Category 2), and \$59,570, although meeting legal collateralization requirements, deposits were held by the counterparty, or by its trust department or agent, but not in the state's name (Category 3).

B. Component Units

As of June 30, 2002, the carrying amount of deposits was \$6,148,668, and the bank balance was \$6,593,537. Of the bank balance, \$4,700,237 was fully insured or collateralized with securities held by the respective component units, or their agents in the component unit's name (Category 1) and \$1,893,300, although meeting legal collateralization requirements, deposits were held by the counterparty, or by its trust department or agent, but not in the state's name (Category 3).

Investments

Authorized investments generally include obligations consisting of securities guaranteed either directly or indirectly by the United States of America, or the state of South Dakota; notes or bonds issued and guaranteed by political subdivisions of the state; notes, bonds, or debentures of solvent corporations, provided they are rated

in the four highest classifications established by at least two rating services.

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

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

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

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

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

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

At June 30, 2002, the state's investments consisted of the following (expressed in thousands):

	Category A	Category B	Category C	Fair Value
Primary Government:				
U.S. Government-Backed Securities	\$ 1,191,128	\$ 280,961	\$	\$ 1,472,089
U.S. Government-Backed Loans	12,302			12,302
Corporate Notes and Bonds	751,212	155,557		906,769
Corporate Equity Securities	1,562,832	100,597		1,663,429
International Funds	727,721			727,721
Total	<u>4,245,195</u>	<u>537,115</u>	<u>0</u>	<u>4,782,310</u>
Unclassified:				
Mutual Funds				504,106
Guaranteed Investment Contracts				57,235
Annuity Contract				82,585
Real Estate				293,392
International Funds				95,789
Private Equity				170,343
Unemployment Compensation Funds				
Funds Pooled with U.S. Treasury				56,438
Investments Held by Brokers				
Under Securities Lending Program:				
Securities Lending Collateral				460,928
Component Units in Primary				
Government's Investment Pool				(76,352)
Total Primary Government	<u>4,245,195</u>	<u>537,115</u>	<u>0</u>	<u>4,782,310</u>
Component Units:				
Repurchase Agreements	158,337			158,337
U.S. Government-Backed Securities	268,670		8,566	277,236
U.S. Government-Backed Loans	35,650		860	36,510
Corporate Notes and Bonds			438	438
State of South Dakota Bonds	10,904			10,904
Total	<u>473,561</u>	<u>0</u>	<u>9,864</u>	<u>483,425</u>

Unclassified:				
Mutual Investment Funds				187,133
Investments Held by Brokers Under Securities Lending Program:				
Securities Lending Collateral				13,681
Investments in Primary Government's Investment Pool				62,671
Total Component Units	<u>473,561</u>	<u>0</u>	<u>9,864</u>	<u>746,910</u>
Total Reporting Entity	<u>\$ 4,718,756</u>	<u>\$ 537,115</u>	<u>\$ 9,864</u>	<u>\$ 7,173,686</u>

**Reconciliation of Deposit and Investments
With Financial Statements
June 30, 2002
(expressed in thousands)
Government-Wide Statement of Net Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 632,205	\$ 138,590	\$ 309,593	\$ 48,550	\$ 1,128,938
Investments	341,224	57,235	429,786	4,777,804	5,606,049
Securities Lending Collateral	<u>159,935</u>	<u>14,791</u>	<u>13,681</u>	<u>272,521</u>	<u>460,928</u>
Total	<u>\$ 1,133,364</u>	<u>\$ 210,616</u>	<u>\$ 753,060</u>	<u>\$ 5,098,875</u>	<u>\$ 7,195,915</u>

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

The pension fund investment portfolio includes futures contracts due September 19, 2002 that will increase the market exposure for domestic securities by \$428,054,602 and decrease domestic fixed income investments by \$9,625,910 and short-term investments by \$418,428,692.

Cash and Investment Reconciliation

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

Deposits - Bank Balance	\$ 58,257
Investments	<u>7,173,686</u>
TOTAL	7,231,943
Outstanding Warrants	(37,204)
Purchased Interest	304
Other Adjustments	<u>872</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 7,195,915</u>

Securities Lending Transactions

State statutes and the South Dakota Investment Council (SDIC) policies permit the use of investments for securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for 100% cash

collateral, 102% U.S. government-backed securities and short-term money markets, 105% asset-backed securities and 110% corporate securities of the loaned securities' fair value. The cash collateral is reinvested by the lending agent in accordance with contractual investment guidelines that are designed to ensure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to dealers, result in gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

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

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

Derivative Financial Instruments in Pension Trust Funds

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

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2002 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 19, 2002	Long	1,712	\$423,639
NASDAQ 100 Index due September 19, 2002	Long	42	\$ 4,416
U.S. Treasury Note due September 19, 2002	Short	-70	\$ (9,626)

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

The hedging guidelines of the SDRS arbitrage portfolios managed by the SDIC provide that stock and other noncash considerations to be received may be hedged through the use of options, short sales, or when-and-if issued sales. The two

arbitrage portfolios had short sales valued at \$66,718,632 as of June 30, 2002. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

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

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities in the form of GNMA's, FHLMC's, and FNMA's. The fair value of these securities as of June 30, 2002 was \$475,618,673. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund: The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the plan's portfolio mix. Futures contracts outstanding at June 30, 2002 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 19, 2002	Long	8	\$ 1,980
Midcap 400, due September 19, 2002	Long	1	\$ 244

In addition to the derivatives listed above, the Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMA's, GHLMC's, and FNMA's. The fair value of these securities as of June 30, 2002 was \$2,559,011. The SDIC is using this investment to enhance fixed returns.

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

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

	Governmental Activities						Total
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Nonmajor Governmental Funds	Internal Service Funds	
Taxes Receivable	\$ 77,297	\$ 14,878	\$	\$	\$ 3,056	\$	\$ 95,231
Allowance	(3,648)	(8)			(52)		(3,708)
Accounts Receivable	1,900	134	1,051	2,630	5,154	527	11,396
Allowance	(254)				(143)		(397)
Due From Other Governments	709	22,842	33,525		47,100	56	104,232
Allowance	(128)						(128)
Interest Receivable	5,941	266	9	1,923	2,349	398	10,886
Current Loans and Notes		49			3,439		3,488
Noncurrent Loans and Notes		263			18,789		19,052
Allowance					(270)		(270)
Due From Fiduciary Funds	37				31	32	100
Receivables, Net	<u>\$ 81,854</u>	<u>\$ 38,424</u>	<u>\$ 34,585</u>	<u>\$ 4,553</u>	<u>\$ 79,453</u>	<u>\$ 1,013</u>	<u>\$239,882</u>

	Business-type Activities					Total
	Lottery Fund	REDI Fund	Clean Water State Revolving Fund	Nonmajor Enterprise Funds		
Accounts Receivable	\$ 4,545	\$ 8	\$	\$ 1,007	\$	\$ 5,560
Allowance	(20)					(20)
Due From Other Governments			156	623		779
Interest Receivable	93	509	1,715	650		2,967
Current Loans Receivable		9,808	5,904	2,509		18,221
Noncurrent Loans Receivable		17,497	60,385	25,638		103,520
Allowance		(1,161)		(178)		(1,339)
Receivables, Net	<u>\$ 4,618</u>	<u>\$ 26,661</u>	<u>\$ 68,160</u>	<u>\$ 30,249</u>		<u>\$ 129,688</u>

B. Accounts Payable and Other Current Liabilities

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

	Governmental Activities					Total
	General Fund	Transportation Fund	Social Services Federal	Nonmajor Governmental Funds	Internal Service Funds	
Payroll and Withholdings	\$ 7,713	\$ 3,512	\$ 1,220	\$ 6,029	\$ 1,575	\$ 20,049
Accounts Payable	7,780	31,063	1,782	17,288	2,566	60,479
Medicaid Claims	13,263		26,501	4,138		43,902
Medicaid Disallowance	2,745					2,745
Due to Other Governments	3,087	90	28	13,808		17,013
Shared Revenue Distribution	17,903			12,953		30,856
Unclaimed Property	2,353					2,353
Due to Fiduciary Funds	22			29		51
Total	\$ 54,866	\$ 34,665	\$ 29,531	\$ 54,245	\$ 4,141	\$ 177,448

	Business-type Activities					Total
	Lottery Fund	REDI Fund	Clean Water State Revolving Fund	Nonmajor Enterprise Funds		
Payroll and Withholdings	\$ 72	\$ 18	\$ 9	\$ 285		\$ 384
Accounts Payable	935	7	60	2,751		3,753
Due to Fiduciary Funds				18		18
Other Liabilities	690					690
Total	\$ 1,697	\$ 25	\$ 69	\$ 3,054		\$ 4,845

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2002 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From									Total
	General Fund	Transportation Fund	Social Services Federal	Nonmajor Governmental Funds	Lottery Fund	REDI Fund	Nonmajor Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$	\$ 3,791	\$ 7,727	\$ 44	\$	\$ 828	\$ 118	\$ 37	\$12,545
Transportation Fund	22	33	16	286				267		624
Social Services Fund				35						35
Non-major Governmental Funds	1,007	15,133	234	2,750	4,113		31	131	31	23,430
Non-major Enterprise Funds	68	4	10	140			15	87		324
Internal Service Funds	1,941	965	532	2,681	64	3	119	979	32	7,316
Fiduciary Funds	22			29			18			69
Total	\$ 3,060	\$ 16,135	\$ 4,583	\$ 13,648	\$ 4,221	\$ 3	\$ 1,011	\$ 1,582	\$ 100	\$44,343

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, 2002, which are not shown in the above table. These are amounts owed between funds that are not due within one year and include \$861,648 due from the aeronautics fund, reported as a nonmajor governmental fund to the general fund for the reimbursement of state aircraft maintenance costs.

B. Interfund Transfers

Transferred From	Transferred To							Total
	General Fund	Transportation Fund	Social Services Federal	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$ 13	\$ 1,362	\$ 14,127	\$ 812	\$ 599	\$	\$ 16,913
Transportation Fund	1,438			114				1,552
Dakota Cement Trust Fund	12,000							12,000
Nonmajor Governmental Funds	141,464	282	35	97,534	61		481	239,857
Lottery Fund	4,274			104,997				109,271
Water Pollution Control Revolving Fund				25				25
Nonmajor Enterprise Funds				316				316
Internal Service Funds				239		2		241
Fiduciary Funds				6				6
Total Transfers Out	159,176	295	1,397	217,358	873	601	481	380,181
Transfers of Capital Assets From General Capital Assets to Internal Service Funds								19
Transfers of Capital Assets From Nonmajor Enterprise Funds to General Capital Assets								(186)
Total	\$159,176	\$ 295	\$ 1,397	\$ 217,358	\$ 873	\$ 601	\$ 481	\$ 380,014

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) move receipts restricted for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and, 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In the fund financial statements, total transfers out are \$166,816 higher than total transfers in because of the treatment of assets transferred between proprietary funds and governmental funds. No amounts were reported in the governmental fund financial statements because the amount did not involve the transfer of financial resources.

In the fiscal year ended June 30, 2002, nonmajor governmental funds reported transfers out from the Youth-at-

Risk fund and the peoples trust and interest fund of \$5.7 million and \$50.6 million, respectively. The money was transferred into the education enhancement trust fund. A transfer out of \$30.8 million was reported from the intergovernmental transfer fund to the health care trust fund. The education enhancement trust fund and health care trust fund were created by state law, beginning in fiscal year 2002.

In addition, \$131,462,000 of general fund appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in both general fund statements and the governmental activities column of the Statement of Activities. They are reported as revenues in the component units column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2002 (expressed in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 49,544	\$ 4,404	\$ 1,229	\$ 52,719
Land Improvements	343	1,344		1,687
Land Improvements - Roads	553,107	1,534		554,641
Construction in Progress	187,303	106,381	117,334	176,350
Total Capital Assets Not Being Depreciated	790,297	113,663	118,563	785,397
Capital Assets Being Depreciated:				
Land Improvements	4,791	1,878		6,669
Buildings	218,845	19,764	634	237,975
Equipment	105,368	13,338	3,924	114,782
Vehicles	81,759	12,920	7,330	87,349
Infrastructure	2,453,924	108,075	39,432	2,522,567
Total Capital Assets Being Depreciated	2,864,687	155,975	51,320	2,969,342
Less: Accumulated Depreciation for:				
Land Improvements	1,417	302		1,719
Buildings	78,155	6,325	275	84,205
Equipment	61,895	8,126	2,832	67,189
Vehicles	40,004	9,187	3,463	45,728
Infrastructure	990,848	45,621	12,533	1,023,936
Total Accumulated Depreciation	1,172,319	69,561	19,103	1,222,777
Total Capital Assets Being Depreciated, Net	1,692,368	86,414	32,217	1,746,565
Total Governmental Activities	\$ 2,482,665	\$ 200,077	\$ 150,780	\$ 2,531,962
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	325	29		354
Construction in Progress	469	745		1,214
Total Capital Assets Not Being Depreciated	794	774	0	1,568
Capital Assets Being Depreciated:				
Land Improvements	687			687
Buildings	2,918			2,918
Equipment	2,117	14		2,131
Total Capital Assets Being Depreciated	5,722	14	0	5,736
Less: Accumulated Depreciation for:				
Land Improvements	301	24		325
Buildings	2,161	70		2,231
Equipment	1,791	51		1,842
Total Accumulated Depreciation	4,253	145	0	4,398
Total Capital Assets Being Depreciated, Net	1,469	(131)	0	1,338
Total Business-Type Activities	\$ 2,263	\$ 643	\$ 0	\$ 2,906

Depreciation was charged to the function of government as follows:

	<u>Amount</u>
Governmental Activities	
Unallocated	\$ 70
General Government	8,775
Health and Human Services	1,714
Law, Justice, and Public Protection	4,182
Agriculture and Natural Resources	1,786
Commerce and Regulation	38
Transportation	51,916
Education	1,066
Economic Resources	15
	<u>69,562</u>
Total Governmental Activities	<u>\$ 69,562</u>
Business-Type Activities	
Enterprise Funds	<u>\$ 148</u>

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2002 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 3,869	\$ 160	\$ 12,524	\$ 4,029
Construction in Progress	22,631	25,413	12,524	35,520
Works of Art and Historical Treasures	7,415	31		7,446
Total Capital Assets Not Being Depreciated	<u>33,915</u>	<u>25,604</u>	<u>12,524</u>	<u>46,995</u>
Capital Assets Being Depreciated:				
Land Improvements	10,096	886	29	10,953
Infrastructure	15,706	410	24	16,092
Buildings	288,245	20,433	90	308,588
Equipment and Other Assets	125,234	9,294	1,484	133,044
Total Capital Assets Being Depreciated	<u>439,281</u>	<u>31,023</u>	<u>1,627</u>	<u>468,677</u>
Less: Accumulated Depreciation for:				
Land Improvements	4,500	401	9	4,892
Infrastructure	7,543	514	24	8,033
Buildings	129,791	7,659	70	137,380
Equipment and Other Assets	86,457	10,237	1,184	95,510
Total Accumulated Depreciation	<u>228,291</u>	<u>18,811</u>	<u>1,287</u>	<u>245,815</u>
Total Capital Assets Being Depreciated, Net	<u>210,990</u>	<u>12,212</u>	<u>340</u>	<u>222,862</u>
Total Higher Education Capital Assets, Net	<u>244,905</u>	<u>37,816</u>	<u>12,864</u>	<u>269,857</u>
South Dakota Housing Development Authority				
Capital Assets Being Depreciated:				
Equipment	2,945	194	111	3,028
Less: Accumulated Depreciation for:				
Equipment	1,307	284		1,591
Total Capital Assets Being Depreciated, Net	<u>1,638</u>	<u>(90)</u>	<u>111</u>	<u>1,437</u>
Total Discretely Presented Component Units, Net	<u>\$ 246,543</u>	<u>\$ 37,726</u>	<u>\$ 12,975</u>	<u>\$ 271,294</u>

C. Construction in Progress

The state has entered into contracts for the renovation and construction of buildings, structures, and infrastructure (highway projects). Commitments associated with construction in progress at June 30, 2002 are as follow:

	<u>Amount</u>
Buildings and Structures	3,716
Equipment	1,413
Infrastructure	170,498
Total Governmental Activities	<u>176,350</u>
Business-Type Activities	
Buildings and Structures	<u>1,214</u>
Total Primary Government	<u>\$ 177,564</u>

	<u>Amount</u>
Primary Government	
Governmental Activities	
Land Improvements	\$ 723

Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 1,177
Buildings and Structures	31,169
Infrastructure	282
Equipment	2,892
Total Discretely Presented Component Units	<u>\$ 35,520</u>

7. RETIREMENT PLANS

South Dakota Retirement System, Plan

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

As of June 30, 2002, the number of participating governmental employers was:

School Districts	187
State of South Dakota	1
Board of Regents	1
Municipalities	138
Counties	62
Boards and Commissions	<u>73</u>
Total Employers	<u>462</u>

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

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2002. Fair values were determined based on closing market prices at June 30, 2002 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. Investments not traded on any

exchange are valued at fair value based on estimates made by management. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Real estate is valued at market based upon annual appraisals. Net appreciation in the fair value of investments held at or traded during the twelve months prior to June 30, 2002 is determined using an average cost basis. Purchases and sales are recorded as of the trade date.

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

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

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

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

- Class A members - 5%
(Effective 7-1-2002 - 6%)
- Class B Judicial members - 9%
- Class B Public Safety members - 8%

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

Contributions during fiscal year 2002 totaling \$124,856,203 (\$66,311,285 employee and \$58,544,918 employer) were made in accordance with statutory rates. These contributions represent 11.6% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for fiscal years 2001 and 2000 were \$55,697,940 and \$52,622,437, 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, 2002 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, 2002, deferred contribution payments will be received as follows:

Year Ending June 30	Employers	Employees
2003	\$ 38,923	\$ 1,804,495
2004	34,743	867,951
2005	20,544	527,830
2006	10,559	336,171
2007		183,379
Later		197,010
	<u>104,769</u>	<u>3,916,836</u>
Less interest	<u>10,135</u>	<u>484,023</u>
Total	<u>\$ 94,634</u>	<u>\$ 3,432,813</u>

South Dakota Cement Commission Retirement Plans: The South Dakota Cement Commission (SDCC) administers the South Dakota Cement Pension Trust Fund (Fund). The fund consists of six defined benefit pension plans that cover all former employees of the State Cement Plant. The plans are noncontributory, single-employer, public employee retirement plans. The plans are actuarially funded, using the entry age normal, level percent of pay, funding method. The plans' funding policies provide for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20-year period. Based on this, the annual required contribution for 2002 is \$873,800.

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

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

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

Investments are carried at fair value that is based on the quoted market price of each of the plans' investments. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2002 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. Net assets totaling \$2,816,076 were invested with the Provident Mutual Fund and represented 5% or more of the net assets available for benefits

At June 30, 2002, the fair value of net assets held in trust for pension benefits was \$31,244,041.

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

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

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

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2001. 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, 2001 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$2,948,124 and \$132,707, respectively. On June 30, 2001, participants in the plan consisted of the following:

Active Participants	88
Vested Terminated Participants	6
Retired Participants and Beneficiaries	203

Investments are carried at fair value to properly reflect asset values at June 30, 2001. Contributions are made by active life plan participants at 5% of their salaries. The Department of Labor has not contributed to the plan since 1994 and no future employer contributions are expected to be required, based on the actuarial assumptions used. The following is a schedule of funding progress:

<u>Fiscal Year Ended June 30</u>	<u>Actuarially Net Assets Available For Benefits</u>	<u>Entry Age Normal Assets in Accrued Liability (AAL)</u>	<u>Percent Funded (1)-(2)</u>	<u>Annual Excess of AAL (1)-(2)</u>	<u>Annual Covered Payroll</u>	<u>Assets in Excess of AAL as a Percent of Covered Payroll (4)-(5)</u>
1999	\$ 57,210,946	\$ 42,559,280	134.4	\$ 1,651,666	\$3,264,009	448.9
2000	\$ 59,369,863	\$ 44,456,018	133.5	\$ 14,913,845	\$3,035,791	491.3
2001	\$ 56,174,491	\$ 45,540,493	123.4	\$ 10,633,998	\$2,948,124	360.7

8. DEFERRED COMPENSATION PLAN

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

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

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

9. COMMITMENTS

Construction and Other Commitments: At June 30, 2002, the Department of Transportation had contractual construction commitments of \$165,208,060 for various highway projects and maintenance commitments of \$2,938,424. 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 \$46,790,064 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	\$19,100,929
Drinking Water State Revolving Fund	\$ 6,743,524
Water and Environment Fund Program	\$13,493,341
Federal Funds	\$ 7,452,270

The Building Authority has construction contracts and other construction commitments of \$4,883,639.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$34,340,454. Financing for these future expenditures will be from home-ownership mortgage bonds.

The Office of the Governor had construction and other contractual commitments of \$22,446,412. Financing for these future expenditures will be from approved federal grants, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
Value-Added Agriculture Sub Fund	\$ 223,292
REDI Fund Loans	\$ 4,549,000

Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	\$ 899,990
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Community Development Block Grant (CDBG)	\$13,152,586
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Future Fund Program	\$ 3,364,544
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South Dakota Energy Program	\$ 257,000
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South Dakota State University has contractual construction commitments of \$1,000,000.

The Petroleum Release Fund has commitments of \$6,200,000.

The state of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Gilt Edge and Brohm Mine in Lawrence County. The state is expected to pay 10% of the final costs of reclamation and remediation of the site, currently estimated to be \$45 million. The state has already spent approximately \$2.5 million from the Regulated Response Fund. The state had approximately \$5.0 million in the form of a cash deposit contributed by Brohm for reclamation costs. The state's contribution to the costs of reclamation and remediation will come from the sums already expended from the Regulated Response Fund and from the cash deposit contributed by Brohm, together with interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the state will

take control of the site. Costs incurred when the state takes control of the site cannot be anticipated at this time.

10. SELF-INSURANCE

A. Workers' Compensation Benefits and Unemployment Insurance

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

The state is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$11,760,799 at June 30, 2002. The Workers' Compensation Fund liability at June 30, 2002 and the changes to the liability during fiscal years ended June 30, 2002 and 2001 were as follows (expressed in thousands):

	<u>FY2002</u>	<u>FY2001</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 17,909	\$ 12,519
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	536	2,686
Changes in provision for insured events of prior fiscal years	790	5,550
Total incurred claims and claim adjustment expenses	<u>1,326</u>	<u>8,236</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	887	724
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,819	2,122
Total payments	<u>2,706</u>	<u>2,846</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 16,529</u>	<u>\$ 17,909</u>

B. Health and Life Insurance

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

determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of FY2002, \$725,000 of the retained earnings balance in the self-insurance fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2002 and the changes to the liability during fiscal years ended June 30, 2002 and 2001 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2002	FY2001	FY2002	FY2001
Unpaid claims and claim adjustment expenses at beginning of fiscal	\$ 6,191	\$ 6,026	\$ 54	\$ 108
Incurred claims and claim adjustment expenses	53,168	44,522	2,240	1,155
PAYMENTS:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	45,659	38,330	2,155	1,102
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	6,191	6,026	54	108
Total payments	51,850	44,356	2,209	1,210
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 7,509	\$ 6,192	\$ 85	\$ 53

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 322. The state claimed sovereign immunity for all other tort liabilities. A state Supreme Court opinion now allows noneconomic damages against employees of the state while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Excess of loss reinsurance was purchased for

claims costs between \$100,000 and \$1,000,000. Beginning in FY2002, the excess of loss reinsurance amount was changed to claims costs between \$250,000 and \$1,000,000.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of FY2002, \$6,232,526 of the retained earnings balance in the PEPL fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2002 and the changes to the liability during fiscal years ended June 30, 2002 and 2001 were as follows (expressed in thousands):

	FY2002	FY2001
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 6,204	\$ 5,949
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	1,239	983
Changes in provision for insured events of prior fiscal years	628	12
Total incurred claims and claim adjustment expenses	<u>1,867</u>	<u>995</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	242	183
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,844	557
Amounts due from reinsurance	(296)	
Total payments	<u>1,790</u>	<u>740</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 6,281</u>	<u>\$ 6,204</u>

D. Risk Management

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

11. OPERATING LEASES

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

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2002 (expressed in thousands):

Fiscal Year Ended June 30,	Primary Government	Component Units	Total
	\$		
2003	4,273	\$ 597	\$ 4,870
2004	3,419	427	3,846
2005	2,336	214	2,550
2006	2,138	168	2,306
2007	1,582	149	1,731
2008-2012	5,562	504	6,066
2013-2017	5,632	0	5,632
2018-2022	268	0	268
TOTAL	<u>\$ 25,210</u>	<u>\$ 2,059</u>	<u>\$ 27,269</u>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2002 was \$8,522,770 for the primary government and \$695,740 for component units.

12. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2002 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	\$ 105,584	\$	\$ 9,278	\$ 96,306	\$ 9,037
Trust Certificates	44,360		2,150	42,210	2,255
Compensated Absences	43,546	25,585	21,587	47,544	23,853
Policy Claims Liability	12,940	64,860	63,548	14,252	10,429
Workers Compensation	18,727	1,342	2,921	17,148	2,710
Capital Leases	39,927	4,732	6,291	38,368	4,876
Loans	148		104	44	44
Total Governmental Activities	265,232	96,519	105,879	255,872	53,204
Business-Type Activities					
Revenue Bonds	23,540	8,934	1,115	31,359	1,075
Compensated Absences	825	475	360	940	463
Capital Leases		25		25	5
Total Business-Type Activities	24,365	9,434	1,475	32,324	1,543
Component Units					
Revenue Bonds	1,542,217	361,445	338,516	1,565,146	37,178
Trust Certificates	8,270		1,295	6,975	1,390
Compensated Absences	27,558	11,239	10,092	28,705	8,668
Capital Leases	1,137		204	933	138
Rural Development Loans	2,343	112	86	2,369	87
Federal Portion of Perkins Loan Program	30,559	558		31,117	
Total Component Units	1,612,084	373,354	350,193	1,635,245	44,461
Total Long-Term Obligations	\$ 1,901,681	\$ 479,307	\$ 457,547	\$ 1,923,441	\$ 99,208

Revenue Bonds and Trust Certificates

A. Governmental Activities

Building Authority

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

The Building Authority sold trust certificates to a trustee bank and assigned the right to receive lease rental payments over to the trustee bank. The principal and interest payments on the certificates are payable solely from amounts payable by the state under lease agreements. The certificates are not an indebtedness of the state within the meaning of any constitutional or

statutory debt limit, nor may the certificates be a claim against the property of the authority.

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

Following are Building Authority bonds and trust certificates outstanding at June 30, 2002 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Bond Series:			
1993B	2013	4.875%-5.450%	\$ 147
1996A	2016	4.400%-5.950%	85,261
1996C	2014	4.100%-5.300%	7,587
1996D	2011	5.200%-6.000%	1,880
1999	2020	4.500%-6.500%	1,431
Total Bonds			96,306
Trust Certificate Series:			
1991A&B	2016	4.700%-6.750%	14,060
1993A&B	2017	6.300%-8.300%	28,150
Total Trust Certificates			42,210
Total			\$ 138,516

As of June 30, 2002, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2003	\$ 11,288	\$ 7,154	\$ 18,442
2004	11,250	6,574	17,824
2005	11,200	5,996	17,196
2006	11,139	5,383	16,522
2007	11,109	4,735	15,844
2008-2012	51,889	14,821	66,710
2013-2017	27,889	15,743	43,632
2018-2022	2,752	91	2,843
Total	\$ 138,516	\$ 60,497	\$ 199,013

B. Business-Type Activities

State Revolving Funds

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

The South Dakota Conservancy District bonds do not constitute a debt or liability of the state of South Dakota, or a pledge of the faith and credit of the state. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of \$2.3 million and \$724,000, respectively. If necessary, a legislative appropriation of \$1,200,000 is available for the CWSRF only.

The following is a schedule of outstanding bonds as of June 30, 2002 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1994A	2012	3.10%-5.30%	\$ 7,320
1995A	2015	5.00%-6.20%	6,590
1996A	2017	4.40%-6.625%	2,485
2001	2017	4.00%-5.00%	4,405
Less Unamortized Loss on Refundings			(741)
Total			20,059

Drinking Water State Revolving Fund			
1998A	2019	3.9%-5.00%	6,030
2001	2022	4.00%-5.00%	5,270
Total			11,300

Total Revenue Bonds \$ 31,359

As of June 30, 2002, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
Clean Water State Revolving Fund			
2003	\$ 945	\$ 1,080	\$ 2,025
2004	1,125	1,030	2,155
2005	1,185	973	2,158
2006	1,245	913	2,158
2007	1,305	849	2,154
2008-2012	7,625	3,109	10,734
2013-2017	5,380	1,129	6,509
2018-2022	1,660	275	1,935
2023	330	8	338
Total	20,800	9,366	30,166

Drinking Water State Revolving Fund			
2003	225	530	755
2004	400	517	917
2005	415	501	916
2006	440	483	923
2007	455	463	918
2008-2012	2,590	1,995	4,585
2013-2017	3,260	1,302	4,562
2018-2022	3,115	431	3,546
2023	400	10	410
Total	11,300	6,232	17,532
Total	\$ 32,100	\$ 15,598	\$ 47,698

C. Component Units

1. Housing Development Authority

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

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2002 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home Ownership Mortgage Program			
	2002-2033	2.05%-7.125%	
Serial Bonds			\$ 237,360
Term Bonds			1,141,920
Plus Unamortized Discount			230
Total			1,379,510
Multifamily Housing Trust Funds			
	2006-2022	1.70%-8.375%	
Serial Bonds			16,810
Term Bonds			34,555
Less Unamortized loss on Refunding			(547)
Total			50,818
Multifamily Housing Revenue Bonds			
	2031-2034	1.40%	
Term Bonds			19,495
Multifamily Mortgage Pass-Through Bonds			
	2010-2015	3.75%-9.00%	
Term Bonds			15,711
Housing Development Revenue Bonds			
	2004	4.00%	
Term Bonds			930
Multifamily Risk Sharing Bonds			
	2004-2043	2.90%-5.85%	
Serial Bonds			490
Term Bonds			14,375
Total			14,865
Total Bonds			\$ 1,481,329

As of June 30, 2002, debt service requirements for principal and interest for the Housing Development Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2003	\$ 29,863	\$ 77,730	\$ 107,593
2004	121,344	74,832	196,176
2005	35,156	72,864	108,020
2006	35,401	71,188	106,589
2007	36,322	69,414	105,736
2008-2012	198,937	316,867	515,804
2013-2017	250,198	256,866	507,064
2018-2022	250,375	185,346	435,721
2023-2027	295,985	110,231	406,216
2028-2032	208,415	32,080	240,495
2033-2037	16,195	2,069	18,264
2038-2042	2,735	616	3,351
2043-2047	720	39	759
Total	\$ 1,481,646	\$1,270,142	\$2,751,788

2. Building Authority

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

Annual CREP payments made to the authority will be used by the trustee to make the debt service payments on the bonds. Bonds of the authority do not constitute a debt or liability of the state of South Dakota, or a pledge of the faith and credit of the state. These bonds are payable solely from the revenues or assets of the authority.

The following is a schedule of bonds outstanding for the CREP Program as of June 30, 2002 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Third	2002	8.08%-8.94%	\$ 131
1998A	2009	5.80%-6.50%	5,630
Total			\$ 5,761

As of June 30, 2002, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2003	\$ 891	\$ 335	\$ 1,226
2004	805	283	1,088
2005	860	231	1,091
2006	915	175	1,090
2007	970	115	1,085
2008-2012	1,320	63	1,383
Total	\$ 5,761	\$ 1,202	\$ 6,963

3. South Dakota Economic Development Finance Authority

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

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

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when

and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2002, the balance in the Capital Reserve Account was \$2,529,000 and the reserve requirement was \$2,500,000.

The 1996B (Technical Ordinance) Series bond issue required a Special Reserve Account of at least \$500,000. The amount in excess of \$500,000 may be transferred to the Capital Reserve Account on April 1 of each year, if the loan is not in default. At June 30, 2002, the balance in the Special Reserve Account was \$505,000.

The following is a schedule of outstanding bonds as of June 30, 2002 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1987A	2007	9.00%	\$ 145
1996A	2009-2016	5.00%-6.75%	1,560
1996B	2007	5.75%	925
1993C	2006	5.85%	430
1996D	2007	4.50%-5.90%	525
1998A	2018	5.50%	685
1998B	2009	7.00%	275
1999	2009-2019	4.95%-5.50%	2,175
Total			\$ 6,720

As of June 30, 2002, debt service requirements for principal and interest for the South Dakota Economic Development Finance Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2003	\$ 580	\$ 395	\$ 975
2004	610	361	971
2005	645	325	970
2006	670	287	957
2007	605	247	852
2008-2012	1,415	903	2,318
2013-2017	1,735	426	2,161
2018-2022	460	36	496
Total	\$ 6,720	\$ 2,980	\$ 9,700

4. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for FY2002 equaled \$2,784,420. Following are revenue bonds outstanding at June 30, 2002 (expressed in thousands):

Issue	Amount
School of Mines and Technology	
1973C	\$ 348
University of South Dakota	
1974 Refunding	758
South Dakota State University	
1972	1,225
1994A	12,700
Less Deferred Charges	(480)
Northern State University	
1984G	250
1998	2,590
Dakota State University	
1984 Refunding	870
1995	2,590
Black Hills State University	
1965C	74
1968D	68
1993	4,155
1995	3,575
Total	\$ 28,723

As of June 30, 2002, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2003	\$ 939	\$ 1,452	\$ 2,391
2004	976	1,412	2,388
2005	1,028	1,369	2,397
2006	1,065	1,318	2,383
2007	1,042	1,275	2,317
2008-2012	6,042	5,572	11,614
2013-2017	7,480	3,927	11,407
2018-2022	8,636	1,819	10,455
2023-2027	1,995	204	2,199
Total	\$ 29,203	\$ 18,348	\$ 47,551

b. Building Authority

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

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

Following is a schedule of bonds and certificates outstanding at June 30, 2002 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1993A	2012	4.600%-6.500%	\$ 4,730
1993B	2013	4.875%-5.450%	3,963
1995A	2015	4.850%-6.250%	8,785
1996C	2014	4.100%-5.300%	3,713
1997	2021	5.00%	2,193
1999			
Refunding			214
1999 New	2019	4.500%-6.500%	7,615
2000	2025	4.500%-6.500%	6,400
2002	2026	4.40%-5.75%	5,000
Total Revenue Bonds			<u>42,613</u>
Trust Certificates			
1991B	2013	4.700%-6.625%	1,605
1993B	2005	6.40%-8.00%	5,370
Total Trust Certificates			<u>6,975</u>
Total			<u>\$ 49,588</u>

As of June 30, 2002, debt service requirements for principal and interest for the Building Authority (higher education portion) were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2003	\$ 3,317	\$ 2,623	\$ 5,940
2004	3,655	2,449	6,104
2005	3,890	2,219	6,109
2006	4,066	1,976	6,042
2007	2,751	1,780	4,531
2008-2012	14,546	6,539	21,085
2013-2017	8,827	3,274	12,101
2018-2022	5,616	1,464	7,080
2023-2027	2,920	327	3,247
Total	<u>\$ 49,588</u>	<u>\$ 22,651</u>	<u>\$ 72,239</u>

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, 2002 (expressed in thousands):

Fiscal Year Ended June 30,	Primary Government			Total
	Governmental Activity	Business-Type Activity	Component Units	
2003	\$ 6,742	\$ 6	\$ 193	\$ 6,941
2004	6,022	6	142	6,170
2005	4,614	6	142	4,762
2006	3,657	6	142	3,805
2007	2,634	3	142	2,779
FY2008-2012	13,054		415	13,469
FY 2013-2017	8,805			8,805
FY 2018-2022	7,531			7,531
FY2023-2027	2,695			2,695
Total Minimum Lease Payments	55,754	27	1,176	56,957
Less: Amounts Representing Interest	17,386	2	243	17,631
Present Value of Future Minimum Lease Payments	<u>\$ 38,368</u>	<u>\$ 25</u>	<u>\$ 933</u>	<u>\$ 39,326</u>

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, 2002 are as follows:

	Primary Government Governmental Activities	Business- Type Activities
Land	\$	\$ 28
Vocational Education		
Buildings	41,481	
Equipment	2,016	
Vehicles	14,173	
Total	57,670	28
Less Accumulated Depreciation	12,840	
Total	\$ 44,830	\$ 28

Bureau of Administration

The city of Pierre installed an electrical upgrade to the capitol complex. The state entered into a long-term contract with the city of Pierre to pay for the costs of the upgrade. As of June 30, 2002, debt service requirements for principal and interest for the internal service fund were \$43,875 and \$940, respectively. This debt is due and payable during fiscal year 2003.

Conduit Debt Obligations

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

1. South Dakota Railroad Authority

The South Dakota Railroad Authority is responsible for improving rail service in the state. The authority is authorized to acquire property and construct, maintain, and equip railroad facilities pursuant to legislative declarations. The authority is also authorized to issue revenue bonds and participating interests in mortgage notes in amounts authorized by the state legislature. In 1996, the authority purchased rail facilities through the sale of \$20,000,000 of revenue bonds. Dakota, Minnesota and Eastern Railroad received \$14,500,000 of the bond proceeds. Additionally, a \$10,000,000 loan agreement was entered into between Dakota, Minnesota and Eastern Railroad Corporation and First National Bank of Brookings. The proceeds for the loan consisted of \$5,500,000 from the bond proceeds, \$4,000,000

from an institutional investor, and \$500,000 from the First National Bank. The bonds will be paid off with proceeds from a lease agreement with Dakota, Minnesota and Eastern Railroad Corporation with principal payments of \$14,500,000 and bank loan payments of \$5,500,000. Dakota, Minnesota and Eastern Railroad Corporation will be responsible for paying the two institutional investors \$4,500,000 on the loan. As of June 30, 2002, \$15,125,000 in revenue bonds and \$3,403,125 in a bank loan was outstanding.

2. South Dakota Value Added Finance Authority

The South Dakota Value Added Finance Authority provides low interest financing to agricultural enterprises in the state of South Dakota. The loans can be used to acquire agricultural property. The authority is authorized to issue federal tax-exempt bonds. The bond proceeds are lent to qualifying applicants. The applicant assumes the bond payment obligation to the bond purchaser in the form of a loan with the third party bond purchaser.

As of June 30, 2002, there were 229 Beginning Farmer Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2002 could not be determined; however, the original issue amount totaled \$23,607,694.

As of June 30, 2002, there were four Agribusiness Bonding Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2002 could not be determined; however, the original issue amount totaled \$1,820,000.

As of June 30, 2002 there were three Agribusiness Relending Loans outstanding. The aggregate principal amount payable at June 30, 2002 could not be determined; however, the original issue amount totaled \$128,250.

3. South Dakota Economic Development Finance Authority

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

As of June 30, 2002, the aggregate amount of stand-alone bond principal outstanding was \$25,989,063. The original issue amount of stand-alone bonds totaled \$31,920,000.

Refunded Bonds

1. Building Authority

The Building Authority defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2002, \$48,660,000 of the Building Authority bonds outstanding is considered defeased.

2. Higher Education

Black Hills State University and South Dakota State University defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2002, \$13,695,000 of university bonds outstanding is considered defeased. At June 30, 2002 bonds payable is reported net of unamortized charges of \$480,578.

3. South Dakota Conservancy District

The South Dakota Conservancy District defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2002, \$6,435,000 of the South Dakota Conservancy District bonds outstanding is considered defeased. As a result of these advanced refundings, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the life of the new bonds. At June 30, 2002, bonds payable is reported net of unamortized charges of \$740,704.

13. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

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

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest and Other Expenses	Depreciation
Instruction	\$ 101,129	\$ 1,657	\$ 5,273	\$ 5,320	\$ 184	\$ 157	\$ 1,870
Research	22,253	1,514	2,607	5,260	2,172		1,211
Public Service	21,870	1,285	5,243	3,464	1,414	3	177
Academic Support	22,765	892	4,078	3,331	21	1	2,654
Student Services	14,773	1,933	3,363	2,985	157	749	171
Institutional Support	19,800	629	1,947	4,208	1,343	18	595
O&M of Plant	10,088	123	2,911	4,334		2,619	1,318
Scholarships and Fellowships	977		41	7	11,696		
Auxilliary Enterprises	9,246	81	13,534	10,336	4		1,127
Other Expenses			772	297		233	
Unallocated Depreciation							5,669
Total	\$ 222,901	\$ 8,114	\$ 39,769	\$ 39,542	\$ 16,991	\$ 3,780	\$ 14,792

14. DEFICIT FUND EQUITY

The following individual funds had deficit fund equity at June 30, 2002 (expressed in thousands).

FUND TYPE/FUND	DEFICIT
Enterprise:	
Second Injury	\$ 1,192
State Fair	454
Internal Service:	
State Worker's Compensation	\$ 11,761
Personnel	192
Special Revenue:	
Fire Suppression	\$ 1,692
Office of History	143
Federal Parks and Recreation	133

15. VOCATIONAL TECHNICAL INSTITUTES

The state primary government has an ongoing financial responsibility for the funding of four technical institutes in the state. The technical institutes are considered part of the local school districts in the district where they are located. By law, the state may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2002, the state provided \$14,312,800 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 state general fund appropriations, interest earnings from a special revenue fund and from student facility fees collected by the technical institutes and remitted to the state. Upon completion of payments under the lease agreements, titles to the facilities pass to the state. The sub-lease agreements with the school districts are then extended annually as long as the school districts pay the state \$100 per year and continue to use the facilities for postsecondary vocational education.

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

16. CONTINGENCIES AND LITIGATION

The state of South Dakota participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the state. During fiscal year 2002, the state reimbursed the federal government \$1,299,690 for disallowed Title XIX program costs. An expenditure and the related liability have been accrued in the general fund for an additional \$2,745,161 in disallowed Title XIX program costs and related interest. The Federal Department of Health and Human Services' Appeals Board upheld this disallowance on September 20, 2002. The state has appealed this decision to the federal courts.

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, 2002 are as follows:

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. As of June 30,

2002, the PRCF was currently involved with 356 active cases, 347 active/monitoring cases, and 15 pending cases (spill report not yet filed), for a total of 718 cases. Contingent liabilities for the PRCF are \$7,800,000 for sites that haven't received any payments.

Jandrain v. Hough. This matter is a personal injury action against employees of the South Dakota Department of Transportation. The plaintiff was rendered a quadriplegic in a truck rollover accident in Pennington County. His suit claims that employees of the South Dakota Department of Transportation were negligent in the manner in which they applied a certain surface to a state highway. If the plaintiff is ultimately successful, the state will be required to pay damages, which will have a material impact on the PEPL Fund.

Davis v. Zerbe. This matter is a civil rights case against a highway patrol employee. The plaintiff was shot by the highway patrol employee in Meade County, South Dakota. The plaintiff is very likely to obtain a verdict with regard to liability. Attorneys working on this case believe the range of damages awarded would not exceed \$300,000. If the plaintiff is ultimately successful, the amount would have a material impact on the PEPL Fund.

Westphal v. Wulf and the Department of Transportation. This matter involves a fatality car accident in the Sioux Falls, South Dakota area. The case is currently on appeal to the South Dakota Supreme Court. Damages are currently unknown and attorneys for the case believe the likelihood of an unfavorable outcome is low.

Steven Chaney Claim. This matter involves a pickup/bicycle accident in Chamberlain. A Game, Fish, & Parks employee backed into a juvenile on a bicycle. An unfavorable outcome is likely. Damages are currently unknown.

Miller v. Stover. This matter involves a fatal collision between a van operated by a Department of Corrections employee and a pickup in Custer County, South Dakota. The likelihood of an unfavorable outcome is high. Attorneys for this case believe the damages will not exceed \$500,000. This amount would have a material impact on the PEPL Fund.

Northern Telecom, Inc. v. Department of Revenue. Northern Telecom, Inc. has brought a sales tax refund action contesting the payment of taxes accruing from 1986 to the present, currently in the amount of \$1,041,748 plus interest, which would be payable at 1.25% per month on any refunded amount. The case is at the administrative hearing level and counsel is currently awaiting a decision from the Office of Hearing Examiners. The Department of Revenue is vigorously defending the action. While potential damages awarded cannot be estimated, it is possible

damages awarded could have a material impact on the state's general fund.

Loren Pourier, dba Muddy Creek Oil and Gas Inc. and Muddy Creek Oil and Gas Inc. v. Department of Revenue. Pourier has brought a motor fuel tax refund action contesting the payment of taxes accruing from July 1995 through January 13, 2000. The Supreme Court held that the Department of Revenue could not impose the state motor fuel tax on Indians in Indian country. On March 17, 2003, the Department of Revenue filed a Petition for Rehearing. If the decision is left standing, the refund could have a material impact on the state's general fund.

Ernst & Young v. South Dakota Department of Revenue. Ernst & Young has brought a sales tax refund action contesting the payment of taxes accruing from 1994 to 1996, in the amount of \$1,125,000 plus interest. The case is on appeal at the circuit court level. Counsel for the Department of Revenue is vigorously defending this action. If awarded, the amount of refunds could have a material impact on the state's general fund.

SDDS Inc. v. State of South Dakota. This is an inverse condemnation action filed in state court by South Dakota Disposal System Incorporated (SDDS) concerning the operation of a solid waste facility. The matter was tried before a jury in Hughes County, South Dakota Circuit Court. The plaintiff obtained a verdict. The Circuit Court later vacated the verdict. The case is currently scheduled for re-trial in July 2003. The vacated judgment is in the amount of approximately \$10,100,000 with \$4,000,000 of interest as of the judgment's date. The attorneys working on this case are unable to express any opinion regarding the likelihood of success at the re-trial, or the risk of an unfavorable outcome.

Crow Creek Sioux Tribe v. Caldera and South Dakota. Crow Creek Sioux Tribe has instituted an action in Federal District Court, Washington, D.C., to restrain the transfer of property from the United States to South Dakota. The property consists of about 13,600 acres of recreation areas required to be transferred on January 1, 2002 and 70,000 acres of nonrecreation area, which is to be transferred approximately in 2007. The Federal District Court has denied a preliminary injunction to restrain the transfer and the recreation lands were actually transferred to the state on February 8, 2002. The tribe appealed the denial to the Court of Appeals for the District of Columbia, argument was held on March 17, 2003, and a decision is pending. Congress is funding a Wildlife Habitat Restoration Fund for South Dakota in the amount of \$10,000,000 per year and will continue to fund it until it reaches \$108,000,000. If the transfer were to be negated, it is possible that this would also be lost. Counsel for the state is of the opinion that the risk the transfer will be set aside is not substantial.

17. SUBSEQUENT EVENTS

Housing Authority

In August of 2002, the Authority issued \$60,000,000 of Homeownership Mortgage Bonds Series 2002 F and G. The bonds will mature on May 1, 2004, through May 1, 2033, with interest rates from 2.00% to 5.30%. In August of 2002, the Authority issued \$2,555,000 of Multifamily Housing Revenue Bonds Series 2002 A. The bonds will mature on August 1, 2004, through August 1, 2033, with interest rates from 2.00% to 5.35%. In December 2002, the Authority issued \$50,000,000 of Homeownership Mortgage Bonds Series 2002 H and I. The bonds will mature on May 1, 2004, through May 1, 2033, with interest rates from 2.10% to 5.25%. In December of 2002, the Authority issued \$19,980,000 of Multiple Purpose Bonds 2002 Series B. The bonds will mature on November 1, 2003, through November 1, 2021, with interest rates from 1.90% to 5.10%.

Building Authority

On February 1, 2003, the Authority issued \$15,785,000 of Series 2003 Bonds. The bonds will mature on September 1, 2003, through September 1, 2015, with interest rates from 2.50% to 5.00%.

South Dakota Railroad Authority

On August 26, 2002, \$15,125,000 in revenue bond and a \$3,403,125 bank loan were tendered as a result of a Dakota, Minnesota & Eastern Railroads purchase offer. Bondholders were paid on August 27, 2002.

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. On September 24, 2002, the Corporation issued \$278,045,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds, consisting of \$148,505,000 Series 2002A (Taxable) and \$129,540,000 Series 2002B (Tax Exempt). The Series 2002A Bonds are issued as a term bond maturing on June 1, 2025 and the Series 2002B Bonds are issued as a term bond maturing on June 1, 2032. The interest rate on the Series 2002A & B Bonds, respectively, is 6.72% & 6.50%. This transaction was not completed at an arm's length. 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, in exchange for a lump sum payment of \$243,596,553. Any tobacco settlement proceeds not required to pay principle or interest on the bonds, or administrative or transaction expenses of the corporation or authority, or to fund reserves or other requirements relating to the bond issue shall be reverted to the state.

Economic Development Finance Authority

On March 1, 2003, the Authority issued \$2,400,000 of Series 2003A Bonds. The bonds were issued for the purpose of providing funds to the Authority to make a loan to Angus Industries, Inc. The bonds will mature on April 1, 2005 through April 1, 2013, with interest rates from 3.00% to 5.25%.

Inheritance Tax

On December 9, 2002, the Department of Revenue received an estate tax remittance of \$21,385,259. In accordance with state law, ten percent of the remittance was distributed to the county of the estate and the balance was deposited to the state general fund.

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Executive Management				
Personal Services	7,632	7,273	7,210	63
Operating Expenses	29,976	28,954	28,091	863
Total	37,608	36,227	35,301	926
Revenue				
Personal Services	606	605	604	1
Operating Expenses	1,300	1,351	963	388
Total	1,906	1,956	1,567	389
Agriculture				
Personal Services	3,048	3,001	2,960	42
Operating Expenses	2,574	2,621	2,596	25
Total	5,622	5,622	5,556	67
Tourism				
Personal Services	-	-	-	-
Operating Expenses	-	-	-	-
Total	-	-	-	-
Game, Fish And Parks				
Personal Services	2,364	2,364	2,364	-
Operating Expenses	3,958	3,958	2,227	1,730
Total	6,322	6,322	4,591	1,730
South Dakota Lottery				
Personal Services	-	-	-	-
Operating Expenses	-	-	-	-
Total	-	-	-	-
Social Services				
Personal Services	13,062	12,859	12,849	9
Operating Expenses	140,021	140,224	140,195	29
Total	153,083	153,083	153,044	38
Health				
Personal Services	3,156	3,186	3,186	-
Operating Expenses	6,318	6,395	6,337	58
Total	9,474	9,581	9,523	58
Labor				
Personal Services	377	377	348	29
Operating Expenses	66	66	56	10
Total	443	443	404	39
Transportation				
Personal Services	226	190	190	-
Operating Expenses	236	272	272	-
Total	462	462	462	-

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Education And Cultural Affairs				
Personal Services	4,091	3,707	3,707	-
Operating Expenses	365,270	362,654	362,567	88
Total	369,361	366,361	366,274	88
Commerce And Regulation				
Personal Services	1,217	1,217	1,156	61
Operating Expenses	2,227	2,227	2,164	63
Total	3,444	3,444	3,320	124
Higher Education				
Personal Services	118,593	116,161	116,158	3
Operating Expenses	17,489	20,421	20,396	25
Total	136,082	136,582	136,554	28
Military And Veterans' Affairs				
Personal Services	2,812	2,795	2,775	20
Operating Expenses	2,070	2,087	2,033	53
Total	4,882	4,882	4,808	73
Corrections				
Personal Services	31,444	28,419	28,419	-
Operating Expenses	20,326	23,845	23,844	-
Total	51,770	52,264	52,263	-
Human Services				
Personal Services	24,114	24,547	24,547	-
Operating Expenses	48,210	48,270	48,270	-
Total	72,324	72,817	72,817	-
Environment And Natural Resources				
Personal Services	4,163	4,163	4,133	31
Operating Expenses	1,484	1,484	1,467	17
Total	5,647	5,647	5,600	48
Unified Judicial System				
Personal Services	20,857	20,512	20,499	14
Operating Expenses	2,985	3,330	3,207	123
Total	23,842	23,842	23,706	137
Legislative				
Personal Services	4,560	4,560	4,196	365
Operating Expenses	2,288	2,288	1,992	296
Total	6,848	6,848	6,188	661
Attorney General				
Personal Services	3,896	3,896	3,896	-
Operating Expenses	991	991	988	4
Total	4,887	4,887	4,884	4

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
School And Public Lands				
Personal Services	348	348	348	-
Operating Expenses	120	120	120	-
Total	468	468	468	-
Secretary Of State				
Personal Services	615	648	648	-
Operating Expenses	409	411	357	54
Total	1,024	1,059	1,005	54
State Treasurer				
Personal Services	249	238	238	-
Operating Expenses	183	194	179	15
Total	432	432	417	15
State Auditor				
Personal Services	751	740	727	12
Operating Expenses	117	128	126	2
Total	868	868	853	14
State Of South Dakota				
Personal Services	248,181	241,806	241,158	650
Operating Expenses	648,618	652,291	648,447	3,843
Total	896,799	894,097	889,605	4,493

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance from Final
	Original	Final		
Social Services				
Personal Services	20,698	20,578	20,367	211
Operating Expenses	356,410	356,530	350,269	6,261
Total	<u>377,108</u>	<u>377,108</u>	<u>370,636</u>	<u>6,472</u>

**STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 BUDGET-TO-GAAP RECONCILIATION
 For the Fiscal Year Ended June 30, 2002
 (Expressed in Thousands)**

	<u>General Fund</u>	<u>Social Services Federal Fund</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$889,605	\$370,636
Differences-budget to GAAP:		
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(18,305)	(115)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(353)	
To Adjust Expenditures/Expenses for Accruals	<u>8,856</u>	<u>49,630</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$879,803</u></u>	<u><u>\$420,151</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 Budget Comparison Schedule is presented for the general fund and for each special revenue fund that has a legally adopted annual budget. The only special revenue fund that fits this criterion, and where the programs and/or budgetary fund types are identifiable to a major fund, is the Social Services Federal Fund. Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an overexpended budget. For the year ended June 30, 2002, there were no budgetary programs in which expenditures exceeded appropriations.

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

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2002 has also been included as Required Supplementary Information.

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2002
(Expressed in Thousands)**

Assets	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Cash and Cash Equivalents	\$ 451,532	\$ 1	\$ 261	\$ 400	\$ 452,194
Investments	857	82,585		22,415	105,857
Securities Lending Collateral	96,604		212	3,293	100,109
Receivables From:					
Taxes (Net)	3,004				3,004
Interest and Dividends	2,149		3	197	2,349
Other Funds	24,291				24,291
Component Units	15				15
Other Governments	47,100				47,100
Loans and Notes (Net)	21,950			8	21,958
Other (Net)	3,973			1,038	5,011
Inventory	1,680				1,680
Investments - Restricted	10,000				10,000
Deferred Fiscal Charges and Other Assets	971				971
Total Assets	\$ 664,126	\$ 82,586	\$ 476	\$ 27,351	\$ 774,539
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 26,555	\$	\$ 5	\$ 895	\$ 27,455
Payable To:					
Other Funds	13,576		28	44	13,648
Component Units	933			18	951
Other Governments	26,761				26,761
Claims, Judgments and Compensated Absences	135				135
Deferred Revenue	37,476				37,476
Securities Lending Collateral Liability	96,604		212	3,293	100,109
Total Liabilities	202,040	0	245	4,250	206,535
Fund Balances:					
Reserved For:					
Encumbrances	22,310				22,310
Debt Service		82,586			82,586
Restricted Funds	10,000				10,000
School Perpetuity				23,101	23,101
Noncurrent Assets	19,651				19,651
Unreserved	410,125		231		410,356
Total Fund Balances	462,086	82,586	231	23,101	568,004
Total Liabilities and Fund Balances	\$ 664,126	\$ 82,586	\$ 476	\$ 27,351	\$ 774,539

**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, 2002
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 58,954	\$	\$	\$	\$ 58,954
Licenses, Permits and Fees	129,072				129,072
Fines, Forfeits and Penalties	6,347				6,347
Use of Money and Property	21,027		28	1,364	22,419
Sales and Services	12,639				12,639
Administering Programs	375,693				375,693
Other Revenue	35,582	52	11		35,645
Total Revenue	<u>639,314</u>	<u>52</u>	<u>39</u>	<u>1,364</u>	<u>640,769</u>
Expenditures:					
Current:					
General Government	27,993		12	1,470	29,475
Education	100,788				100,788
Education - State Aid to School Districts	2,592				2,592
Health and Human Services	174,823				174,823
Law, Justice and Public Protection	51,928				51,928
Agriculture and Natural Resources	85,026				85,026
Commerce and Regulation	10,197				10,197
Economic Resources	25,946				25,946
Transportation	7,524				7,524
State Shared Revenue Paid to Other Governments	62,420				62,420
Capital Outlay			5		5
Debt Service:					
Principal		11,428			11,428
Interest		7,743			7,743
Total Expenditures	<u>549,237</u>	<u>19,171</u>	<u>17</u>	<u>1,470</u>	<u>569,895</u>
Excess of Revenue Over (Under) Expenditures	90,077	(19,119)	22	(106)	70,874
Other Financing Sources (Uses):					
Proceeds of Refunding Bonds		444			444
Transfers In	204,709	12,205	444		217,358
Transfers Out	(238,071)	(444)	(916)	(426)	(239,857)
Total Other Financing Sources (Uses)	<u>(33,362)</u>	<u>12,205</u>	<u>(472)</u>	<u>(426)</u>	<u>(22,055)</u>
Net Change in Fund Balances	56,715	(6,914)	(450)	(532)	48,819
Fund Balances at Beginning of Year, Restated	<u>405,371</u>	<u>89,500</u>	<u>681</u>	<u>23,633</u>	<u>519,185</u>
Fund Balances at End of Year	<u>\$ 462,086</u>	<u>\$ 82,586</u>	<u>\$ 231</u>	<u>\$ 23,101</u>	<u>\$ 568,004</u>

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2002
(Expressed in Thousands)**

	<u>Education Federal</u>	<u>Human Services Federal</u>	<u>Labor Federal</u>	<u>Health Federal</u>	<u>Governor's Office Federal</u>	<u>Military Affairs Federal</u>	<u>Natural Resources Federal</u>	<u>Game, Fish and Parks Federal</u>
Assets								
Cash and Cash Equivalents	\$	\$	\$ 741	\$ 841	\$	\$ 10	\$	\$ 564
Investments								
Securities Lending Collateral			164	185				124
Receivables From:								
Taxes (Net)								
Interest and Dividends								
Other Funds	37	166	213	67				279
Component Units								
Other Governments	13,376	9,731	2,051	1,339	633	3,798	1,339	1,945
Loans and Notes (Net)		10						
Other (Net)	1		3					
Inventory		315	151	916				
Investments - Restricted								
Deferred Fiscal Charges and Other Assets	20	351	21	10				
Total Assets	\$ 13,434	\$ 10,573	\$ 3,344	\$ 3,358	\$ 633	\$ 3,808	\$ 1,339	\$ 2,912
Liabilities and Fund Balances								
Liabilities:								
Accounts Payable and Other Liabilities	\$ 1,730	\$ 6,749	\$ 1,649	\$ 955	\$ 55	\$ 1,558	\$ 169	\$ 437
Payable To:								
Other Funds	317	3,203	260	247	30	2,179	646	151
Component Units	167					10	66	415
Other Governments	10,319	6			548	56	243	111
Claims, Judgments and Compensated Absences	5	13	33	24		1	16	
Deferred Revenue	225	90						1,674
Securities Lending Collateral Liability			164	185				124
Total Liabilities	12,763	10,061	2,106	1,411	633	3,804	1,140	2,912
Fund Balances:								
Reserved For:								
Encumbrances	30	19		1,067	7,863	316	4,412	113
Restricted Funds								
Noncurrent Assets								
Unreserved	641	493	1,238	880	(7,863)	(312)	(4,213)	(113)
Total Fund Balances	671	512	1,238	1,947	0	4	199	0
Total Liabilities and Fund Balances	\$ 13,434	\$ 10,573	\$ 3,344	\$ 3,358	\$ 633	\$ 3,808	\$ 1,339	\$ 2,912

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2002
(Expressed in Thousands--Continued)

Assets	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission	Motor Vehicle	Revenue	Employer's Investment	Property Tax Reduction
Cash and Cash Equivalents	\$ 24,479	\$ 2,234	\$ 731	\$ 2,514	\$ 6,153	\$ 10,569	\$ 1,973	\$ 18,069	\$ 76,285
Investments									
Securities Lending Collateral	5,294	453	144	551	134	2,533	428	3,913	16,769
Receivables From:									
Taxes (Net)					446	312			
Interest and Dividends	247	1	53		12	27	18	191	
Other Funds	55	132		675		10	5		3,921
Component Units									
Other Governments		134		8		5,130	136		
Loans and Notes (Net)									
Other (Net)	142			72		33			
Inventory				251					
Investments - Restricted									
Deferred Fiscal Charges and Other Assets			7	8		12			
Total Assets	\$ 30,217	\$ 2,954	\$ 935	\$ 4,079	\$ 6,745	\$ 18,626	\$ 2,560	\$ 22,173	\$ 96,975
Liabilities and Fund Balances									
Liabilities:									
Accounts Payable and Other Liabilities	\$ 948	\$ 355	\$ 116	\$ 1,151	\$ 43	\$ 348	\$ 343	\$ 56	\$
Payable To:									
Other Funds	810	306	45	84	197	203	201	572	
Component Units	20							185	
Other Governments	5				512	13,945			
Claims, Judgments and Compensated Absences	15		1	3		2	7		
Deferred Revenue					5,552				
Securities Lending Collateral Liability	5,294	453	144	551	134	2,533	428	3,913	16,769
Total Liabilities	7,092	1,114	306	1,789	6,438	17,031	979	4,726	16,769
Fund Balances:									
Reserved For:									
Encumbrances	1,818	44		201	6	206	72	52	
Restricted Funds									
Noncurrent Assets									
Unreserved	21,307	1,796	629	2,089	301	1,389	1,509	17,395	80,206
Total Fund Balances	23,125	1,840	629	2,290	307	1,595	1,581	17,447	80,206
Total Liabilities and Fund Balances	\$ 30,217	\$ 2,954	\$ 935	\$ 4,079	\$ 6,745	\$ 18,626	\$ 2,560	\$ 22,173	\$ 96,975

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2002
(Expressed in Thousands--Continued)

	<u>Petroleum Release Compensation</u>	<u>Maintenance and Repair</u>	<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Cement Plant Commission</u>	<u>Health Care Trust</u>	<u>Education Enhancement Trust</u>	<u>Other</u>	<u>Total</u>
Assets									
Cash and Cash Equivalents	\$ 6,571	\$ 4,554	\$ 14,991	\$ 8,604	\$ 6,930	\$ 65,597	\$ 85,422	\$ 113,700	\$ 451,532
Investments								857	857
Securities Lending Collateral	1,386	1,122	3,169	1,865	1,498	14,419	18,777	23,676	96,604
Receivables From:									
Taxes (Net)	487		679					1,080	3,004
Interest and Dividends	175	33	190	83	94			1,025	2,149
Other Funds	15,000	221	72	11	1			3,426	24,291
Component Units								15	15
Other Governments			93					7,387	47,100
Loans and Notes (Net)		19	16,413	55				5,453	21,950
Other (Net)					7			3,715	3,973
Inventory								47	1,680
Investments - Restricted					10,000				10,000
Deferred Fiscal Charges and Other Assets								542	971
Total Assets	\$ 23,619	\$ 5,949	\$ 35,607	\$ 10,618	\$ 18,530	\$ 80,016	\$ 104,199	\$ 160,923	\$ 664,126
Liabilities and Fund Balances									
Liabilities:									
Accounts Payable and Other Liabilities	\$ 833	\$ 30	\$ 1,010	\$ 1	\$ 11	\$	\$	\$ 8,008	\$ 26,555
Payable To:									
Other Funds	8	5						4,112	13,576
Component Units								70	933
Other Governments			724	13				279	26,761
Claims, Judgments and Compensated Absences								15	135
Deferred Revenue		16						29,919	37,476
Securities Lending Collateral Liability	1,386	1,122	3,169	1,865	1,498	14,419	18,777	23,676	96,604
Total Liabilities	2,227	1,173	4,903	1,879	1,509	14,419	18,777	66,079	202,040
Fund Balances:									
Reserved For:									
Encumbrances			144					5,947	22,310
Restricted Funds					10,000				10,000
Noncurrent Assets		16	13,931	66				5,638	19,651
Unreserved	21,392	4,760	16,629	8,673	7,021	65,597	85,422	83,259	410,125
Total Fund Balances	21,392	4,776	30,704	8,739	17,021	65,597	85,422	94,844	462,086
Total Liabilities and Fund Balances	\$ 23,619	\$ 5,949	\$ 35,607	\$ 10,618	\$ 18,530	\$ 80,016	\$ 104,199	\$ 160,923	\$ 664,126

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, 2002
(Expressed in Thousands)

	<u>Education Federal</u>	<u>Human Services Federal</u>	<u>Labor Federal</u>	<u>Health Federal</u>	<u>Governor's Office Federal</u>	<u>Military Affairs Federal</u>	<u>Natural Resources Federal</u>	<u>Game, Fish and Parks Federal</u>
Revenue:								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$
Licenses, Permits and Fees				35				
Fines, Forfeits and Penalties								
Use of Money and Property						117		
Sales and Services	37							
Administering Programs	97,739	89,647	29,717	24,397	9,250	17,988	6,224	6,950
Other Revenue	23	26		29		8		1
Total Revenue	<u>97,799</u>	<u>89,673</u>	<u>29,717</u>	<u>24,461</u>	<u>9,250</u>	<u>18,113</u>	<u>6,224</u>	<u>6,951</u>
Expenditures:								
General Government					411			
Education	97,671							
Education - State Aid to School Districts								
Health and Human Services		89,063	30,486	23,745		179		
Law, Justice and Public Protection						17,871		
Agriculture and Natural Resources							6,157	6,854
Commerce and Regulation								
Economic Resources					8,842			
Transportation								
State Shared Revenue Paid to Other Governments								
Total Expenditures	<u>97,671</u>	<u>89,063</u>	<u>30,486</u>	<u>23,745</u>	<u>9,253</u>	<u>18,050</u>	<u>6,157</u>	<u>6,854</u>
Excess of Revenue Over (Under) Expenditures	128	610	(769)	716	(3)	63	67	97
Other Financing Sources (Uses):								
Transfers In	26	48	913	4			47	119
Transfers Out		(396)		(26)		(77)	(64)	(216)
Total Other Financing Sources (Uses)	<u>26</u>	<u>(348)</u>	<u>913</u>	<u>(22)</u>	<u>0</u>	<u>(77)</u>	<u>(17)</u>	<u>(97)</u>
Net Change in Fund Balances	154	262	144	694	(3)	(14)	50	
Fund Balances at Beginning of Year, Restated	<u>517</u>	<u>250</u>	<u>1,094</u>	<u>1,253</u>	<u>3</u>	<u>18</u>	<u>149</u>	
Fund Balances at End of Year	<u>\$ 671</u>	<u>\$ 512</u>	<u>\$ 1,238</u>	<u>\$ 1,947</u>	<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 199</u>	<u>\$ 0</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, 2002
(Expressed in Thousands)

	<u>Game and Fish</u>	<u>Parks and Recreation</u>	<u>Securities and Insurance</u>	<u>Health</u>	<u>Gaming Commission</u>	<u>Motor Vehicle</u>	<u>Revenue</u>	<u>Employer's Investment</u>	<u>Property Tax Reduction</u>
Revenue:									
Taxes	\$	\$ 1,443	\$ 13,441	\$	\$ 5,398	\$ 2,691	\$ 6,660	\$ 6,730	\$
Licenses, Permits and Fees	21,600	4,005	12,876	4,875	5,628	58,329	1,846	9	
Fines, Forfeits and Penalties	670				5				
Use of Money and Property	1,651	286	303		68	206	106	1,116	
Sales and Services	202	3	1			1,877		203	
Administering Programs	112	36							
Other Revenue	93	7		4		5		6	
Total Revenue	<u>24,328</u>	<u>5,780</u>	<u>26,621</u>	<u>4,879</u>	<u>11,099</u>	<u>63,108</u>	<u>8,612</u>	<u>8,064</u>	<u>0</u>
Expenditures:									
General Government						4,354	7,487		
Education									
Education - State Aid to School Districts									
Health and Human Services				5,417					
Law, Justice and Public Protection						55			
Agriculture and Natural Resources	18,697	6,418							
Commerce and Regulation			2,185		863	4,170			
Economic Resources								11,045	
Transportation									
State Shared Revenue Paid to Other Governments					8,099	54,321			
Total Expenditures	<u>18,697</u>	<u>6,418</u>	<u>2,185</u>	<u>5,417</u>	<u>8,962</u>	<u>62,900</u>	<u>7,487</u>	<u>11,045</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	5,631	(638)	24,436	(538)	2,137	208	1,125	(2,981)	0
Other Financing Sources (Uses):									
Transfers In	2	131	24	26				7	102,827
Transfers Out	(3,202)	(431)	(24,764)	(252)	(2,154)	(169)	(76)		(108,429)
Total Other Financing Sources (Uses)	<u>(3,200)</u>	<u>(300)</u>	<u>(24,740)</u>	<u>(226)</u>	<u>(2,154)</u>	<u>(169)</u>	<u>(76)</u>	<u>7</u>	<u>(5,602)</u>
Net Change in Fund Balances	2,431	(938)	(304)	(764)	(17)	39	1,049	(2,974)	(5,602)
Fund Balances at Beginning of Year, Restated	20,694	2,778	933	3,054	324	1,556	532	20,421	85,808
Fund Balances at End of Year	<u>\$ 23,125</u>	<u>\$ 1,840</u>	<u>\$ 629</u>	<u>\$ 2,290</u>	<u>\$ 307</u>	<u>\$ 1,595</u>	<u>\$ 1,581</u>	<u>\$ 17,447</u>	<u>\$ 80,206</u>

Continued on next page

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, 2002
(Expressed in Thousands)

	<u>Petroleum Release Compensation</u>	<u>Maintenance and Repair</u>	<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Cement Plant Commission</u>	<u>Health Care Trust</u>	<u>Education Enhancement Trust</u>	<u>Other</u>	<u>Total</u>
Revenue:									
Taxes	\$ 6,156	\$	\$ 5,045	\$	\$	\$	\$	\$ 11,390	\$ 58,954
Licenses, Permits and Fees			1,708					18,161	129,072
Fines, Forfeits and Penalties								5,672	6,347
Use of Money and Property	1,051	162	982	494	755	2,489	2,828	8,413	21,027
Sales and Services		686						9,630	12,639
Administering Programs						31,693		61,940	375,693
Other Revenue		67			1,010		25,532	8,771	35,582
Total Revenue	<u>7,207</u>	<u>915</u>	<u>7,735</u>	<u>494</u>	<u>1,765</u>	<u>34,182</u>	<u>28,360</u>	<u>123,977</u>	<u>639,314</u>
Expenditures:									
General Government		618			835	272	392	13,624	27,993
Education								3,117	100,788
Education - State Aid to School Districts								2,592	2,592
Health and Human Services								25,933	174,823
Law, Justice and Public Protection								34,002	51,928
Agriculture and Natural Resources	7,057		5,837					34,006	85,026
Commerce and Regulation								2,979	10,197
Economic Resources				128				5,931	25,946
Transportation								7,524	7,524
State Shared Revenue Paid to Other Governments									62,420
Total Expenditures	<u>7,057</u>	<u>618</u>	<u>5,837</u>	<u>128</u>	<u>835</u>	<u>272</u>	<u>392</u>	<u>129,708</u>	<u>549,237</u>
Excess of Revenue Over (Under) Expenditures	150	297	1,898	366	930	33,910	27,968	(5,731)	90,077
Other Financing Sources (Uses):									
Transfers In		57	1,210			31,687	57,454	10,127	204,709
Transfers Out		(22)	(401)		(481)			(96,911)	(238,071)
Total Other Financing Sources (Uses)	<u>0</u>	<u>35</u>	<u>809</u>	<u>0</u>	<u>(481)</u>	<u>31,687</u>	<u>57,454</u>	<u>(86,784)</u>	<u>(33,362)</u>
Net Change in Fund Balances	150	332	2,707	366	449	65,597	85,422	(92,515)	56,715
Fund Balances at Beginning of Year, Restated	21,242	4,444	27,997	8,373	16,572			187,359	405,371
Fund Balances at End of Year	<u>\$ 21,392</u>	<u>\$ 4,776</u>	<u>\$ 30,704</u>	<u>\$ 8,739</u>	<u>\$ 17,021</u>	<u>\$ 65,597</u>	<u>\$ 85,422</u>	<u>\$ 94,844</u>	<u>\$ 462,086</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2002
(Expressed in Thousands)

Assets	Drinking Water State Revolving	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property	Rural Rehabilitation	Prison Industries	Other	Total
Current Assets:									
Cash and Cash Equivalents	\$ 5,904	\$ 55,568	\$ 576	\$	\$ 193	\$ 4,688	\$ 1,404	\$ 8,376	\$ 76,709
Receivables:									
Interest and Dividends	418		10		5	132	14	71	650
Other Funds		84		70	7	4	159		324
Component Units							41		41
Other Governments	316	280		27					623
Loans and Notes (Net)	1,130					1,201			2,331
Other (Net)		612		13	278		93	11	1,007
Inventory					863		718	43	1,624
Securities Lending Collateral			124		41	1,008	304	1,713	3,190
Deferred Fiscal Charges and Other Assets	24			46			8	32	110
Total Current Assets	7,792	56,544	710	156	1,387	7,033	2,741	10,246	86,609
Investments	7,554								7,554
Capital Assets:									
Land and Other Non-depreciable Assets				251	103				354
Property, Plant and Equipment				2,988	559	5	1,176	62	4,790
Accumulated Depreciation				(2,528)	(206)	(3)	(701)	(26)	(3,464)
Construction in Progress							1,214		1,214
Total Capital Assets	0	0	0	711	456	2	1,689	36	2,894
Other Noncurrent Assets	20,761					5,260			26,021
Total Assets	36,107	56,544	710	867	1,843	12,295	4,430	10,282	123,078
Liabilities									
Current Liabilities:									
Accounts Payable and Other Current Liabilities	80		1,778	63	63	48	136	868	3,036
Payable To:									
Other Funds		19		854	4	10	31	93	1,011
Bonds, Notes and Leases Payable	225				5				230
Claims, Judgments and Compensated Absences	19			9	42	12	49	200	331
Accrued Interest Payable	223								223
Deferred Revenue				385	5		4	594	988
Securities Lending Collateral Liability			124		41	1,008	304	1,713	3,190
Total Current Liabilities	547	19	1,902	1,311	160	1,078	524	3,468	9,009
Noncurrent Liabilities:									
Bonds, Notes and Leases Payable	11,075				20				11,095
Claims, Judgments and Compensated Absences	20			10	43	12	50	206	341
Total Liabilities	11,642	19	1,902	1,321	223	1,090	574	3,674	20,445
Net Assets									
Invested In Capital Assets, Net of Related Debt				711	431	2	1,689	36	2,869
Restricted For:									
Unemployment Compensation		56,525							56,525
Debt Service	953								953
Environmental Projects	23,512								23,512
Revolving Loan Programs						11,203			11,203
Unrestricted			(1,192)	(1,165)	1,189		2,167	6,572	7,571
Total Net Assets	\$ 24,465	\$ 56,525	\$ (1,192)	\$ (454)	\$ 1,620	\$ 11,205	\$ 3,856	\$ 6,608	\$ 102,633

**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, 2002
(Expressed in Thousands)**

	<u>Drinking Water State Revolving</u>	<u>Unemployment Insurance</u>	<u>Second Injury</u>	<u>State Fair</u>	<u>Federal Surplus Property</u>	<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Other</u>	<u>Total</u>
Operating Revenue:									
Licenses, Permits and Fees	\$	\$	\$	\$	\$	\$ 70	\$	\$ 4,545	\$ 4,615
Use of Money and Property	737			556		513	11		1,817
Sales and Services	205			558	4,363	14	2,003	5,504	12,647
Administering Programs	4,516	19,141		10		753			24,420
Assessments		16,873	2,593						19,466
Other Revenue				76		7		384	467
Total Operating Revenue	<u>5,458</u>	<u>36,014</u>	<u>2,593</u>	<u>1,200</u>	<u>4,363</u>	<u>1,357</u>	<u>2,014</u>	<u>10,433</u>	<u>63,432</u>
Operating Expenses:									
Personal Services and Benefits	184		18	575	454	280	501	2,974	4,986
Travel	7			16	22	40	17	604	706
Contractual Services	165		15	1,113	776	258	320	2,103	4,750
Supplies and Materials	1		1	290	3,104	54	893	5,136	9,479
Other	7			28		93		186	314
Interest	474				1				475
Depreciation/Amortization	22			60	28	1	50	9	170
Insurance Claims		30,416	2,835						33,251
Total Operating Expenses	<u>860</u>	<u>30,416</u>	<u>2,869</u>	<u>2,082</u>	<u>4,385</u>	<u>726</u>	<u>1,781</u>	<u>11,012</u>	<u>54,131</u>
Operating Income (Loss)	4,598	5,598	(276)	(882)	(22)	631	233	(579)	9,301
Nonoperating Revenue (Expenses):									
Interest Income	462	3,355	30		37	239	81	414	4,618
Interest Expense				(57)					(57)
Other Expense			(6)		(3)	(22)	(8)	(42)	(81)
Grant and Other Income				229					229
Total Nonoperating Revenue (Expenses)	<u>462</u>	<u>3,355</u>	<u>24</u>	<u>172</u>	<u>34</u>	<u>217</u>	<u>73</u>	<u>372</u>	<u>4,709</u>
Income (Loss) Before Transfers	5,060	8,953	(252)	(710)	12	848	306	(207)	14,010
Transfers:									
Transfers In				700			86	87	873
Transfers Out	(28)	(228)	(1)			(33)	(186)	(26)	(502)
Net Transfers In (Out)	<u>(28)</u>	<u>(228)</u>	<u>(1)</u>	<u>700</u>	<u>0</u>	<u>(33)</u>	<u>(100)</u>	<u>61</u>	<u>371</u>
Change in Net Assets	5,032	8,725	(253)	(10)	12	815	206	(146)	14,381
Net Assets At Beginning of Year, restated	19,433	47,800	(939)	(444)	1,608	10,390	3,650	6,754	88,252
Net Assets at End of Year	<u>\$ 24,465</u>	<u>\$ 56,525</u>	<u>\$ (1,192)</u>	<u>\$ (454)</u>	<u>\$ 1,620</u>	<u>\$ 11,205</u>	<u>\$ 3,856</u>	<u>\$ 6,608</u>	<u>\$ 102,633</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

	<u>Drinking Water State Revolving</u>	<u>Unemployment Insurance</u>	<u>Second Injury</u>	<u>State Fair</u>	<u>Federal Surplus Property</u>	<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Other</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash Flows from Operating Activities:									
Receipts from Customers and Users	\$ 188	\$ 17,000	\$ 2,593	\$ 1,186	\$ 2,366	\$ 91	\$ 571	\$ 6,120	\$ 30,115
Receipts from Interfund Services Provided					2,232	753	1,612	4,298	8,895
Receipts from Federal Agencies	4,443	18,971							23,414
Receipts from Loan Payments	2,220					2,338			4,558
Payments to Suppliers and for Benefits and Claims	(159)	(30,418)	(4,095)	(1,292)	(4,115)	(331)	(883)	(7,303)	(48,596)
Payments for Employee Services	(168)		(17)	(579)	(444)	(266)	(467)	(2,932)	(4,873)
Payments for Interfund Services Used			(2)	(173)	(94)	(84)	(319)	(624)	(1,296)
Payments for Loans Originated	(4,273)					(438)			(4,711)
Other Receipts (Payments)				135					135
Net Cash Provided (Used) by Operating Activities	<u>2,251</u>	<u>5,553</u>	<u>(1,521)</u>	<u>(723)</u>	<u>(55)</u>	<u>2,063</u>	<u>514</u>	<u>(441)</u>	<u>7,641</u>
Cash Flows From Capital and Related Financing Activities:									
Purchases of Capital Assets				(21)			(807)	(13)	(841)
Payments on Capital Lease Obligations					(4)				(4)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(21)</u>	<u>(4)</u>	<u>0</u>	<u>(807)</u>	<u>(13)</u>	<u>(845)</u>
Cash Flows From Noncapital Financing Activities:									
Transfers In				700			86	87	873
Transfers Out	(28)	(228)	(1)			(33)		(26)	(316)
Received on Interfund Borrowing				102					102
Issuance of Bonds	5,270								5,270
Payments on Bonds and Notes	(215)								(215)
Bond Issuance Costs	(154)								(154)
Interest Payments on Bonds and Notes	(375)								(375)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,498</u>	<u>(228)</u>	<u>(1)</u>	<u>802</u>	<u>0</u>	<u>(33)</u>	<u>86</u>	<u>61</u>	<u>5,185</u>
Cash Flows From Investing Activities:									
Investment Income	416	3,355	46	(58)	36	239	87	437	4,558
Purchase of Investment Securities	(2,484)								(2,484)
Proceeds from the Sale and Maturity of Investments	807								807
Security Lending Rebate Fees			(6)		(3)	(22)	(8)	(42)	(81)
Net Cash Provided (Used) by Investing Activities	<u>(1,261)</u>	<u>3,355</u>	<u>40</u>	<u>(58)</u>	<u>33</u>	<u>217</u>	<u>79</u>	<u>395</u>	<u>2,800</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	<u>5,488</u>	<u>8,680</u>	<u>(1,482)</u>	<u></u>	<u>(26)</u>	<u>2,247</u>	<u>(128)</u>	<u>2</u>	<u>14,781</u>
Cash and Cash Equivalents at Beginning of Year, restated	<u>416</u>	<u>46,888</u>	<u>2,058</u>	<u></u>	<u>219</u>	<u>2,441</u>	<u>1,532</u>	<u>8,374</u>	<u>61,928</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,904</u>	<u>\$ 55,568</u>	<u>\$ 576</u>	<u>\$ 0</u>	<u>\$ 193</u>	<u>\$ 4,688</u>	<u>\$ 1,404</u>	<u>\$ 8,376</u>	<u>\$ 76,709</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands--Continued)

	<u>Drinking Water State Revolving</u>	<u>Unemployment Insurance</u>	<u>Second Injury</u>	<u>State Fair</u>	<u>Federal Surplus Property</u>	<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Other</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Operating Income (Loss)	\$ 4,598	\$ 5,598	\$ (276)	\$ (882)	\$ (22)	\$ 631	\$ 233	\$ (579)	\$ 9,301
Adjustments to Reconcile Operating Income (Loss):									
Depreciation/Amortization Expense	22			60	28	1	50	9	170
Interest Expense	474				1				475
Miscellaneous Nonoperating Items				135					135
Decrease/(Increase) in Assets:									
Accounts Receivable		126		44	59		(6)	13	236
Interest, Dividends & Penalties Receivable	(56)					1			(55)
Loans and Notes Receivable	(2,735)					1,388			(1,347)
Due From Other Funds		(44)		1	183		203		343
Due From Component Units					1		25		26
Due From Other Governments	(90)	(126)							(216)
Inventory					(209)		82	(1)	(128)
Deferred Fiscal Charges and Other Assets				(20)				(14)	(34)
Increase/(Decrease) in Liabilities:									
Accounts Payable	22		(1,246)	(18)	(100)	28	(78)	99	(1,293)
Accrued Liabilities	4			(3)	3	4	11	6	25
Compensated Absences Payable	12		1	(1)	8	9	15	36	80
Due To Other Funds		(1)		22	(7)	1	(6)	19	28
Deferred Revenue				(61)			(15)	(29)	(105)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,251</u>	<u>\$ 5,553</u>	<u>\$ (1,521)</u>	<u>\$ (723)</u>	<u>\$ (55)</u>	<u>\$ 2,063</u>	<u>\$ 514</u>	<u>\$ (441)</u>	<u>\$ 7,641</u>
Noncash Investing, Capital and Financing Activities:									
Capital Lease Obligations Entered Into					28				28
Transfers Out of Fixed Assets							(186)		(186)
Other				2,204			(55)	76	2,225

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2002
(Expressed in Thousands)

Assets	Self- Insurance	Information Services	Tele- Communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail	Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management
Current Assets:									
Cash and Cash Equivalents	\$ 13,787	\$ 1,168	\$ 2,104	\$ 2,879	\$ 428	\$ 243	\$ 227	\$ 12,209	\$ 1,973
Receivables:									
Interest and Dividends	138	12	19	21	4	2	2	104	8
Other Funds		1,354	1,151	847	949	309	136		1,559
Component Units		23	263	44		1	169		340
Other Governments									3
Other		3	55	1	1	2	19	297	10
Inventory		22	1,010		50	488			
Securities Lending Collateral	2,987	253	457	626	92	53	49	2,651	367
Deferred Fiscal Charges and Other Assets	592	355	261	271	6	40	15		43
Total Current Assets	17,504	3,190	5,320	4,689	1,530	1,138	617	15,261	4,303
Capital Assets:									
Property, Plant and Equipment	29	6,781	6,224	10,235	942	388	1,704	28	33,014
Accumulated Depreciation	(23)	(5,731)	(4,376)	(7,371)	(582)	(299)	(1,627)	(28)	(19,052)
Construction in Progress		1,413							
Total Capital Assets	6	2,463	1,848	2,864	360	89	77	0	13,962
Other Noncurrent Assets									
Total Assets	17,510	5,653	7,168	7,553	1,890	1,227	694	15,261	18,265
Liabilities									
Current Liabilities:									
Accounts Payable and Other Current Liabilities Payable To:	\$ 769	\$ 834	\$ 910	\$ 60	\$ 217	\$ 22	\$ 21	\$ 58	\$ 272
Other Funds	40	234	343	107	26	7	22	6	280
Component Units									26
Bonds, Notes and Leases Payable			203		44				3,297
Claims, Judgments and Compensated Absences	7,991	805	323	63	140	28	25	2,475	19
Deferred Revenue	4,647								
Securities Lending Collateral Liability	2,987	253	457	626	92	53	49	2,651	367
Total Current Liabilities	16,434	2,126	2,236	856	519	110	117	5,190	4,261
Noncurrent Liabilities:									
Bonds, Notes and Leases Payable									5,903
Claims, Judgments and Compensated Absences	20	828	332	65	143	29	26	3,838	20
Total Liabilities	16,454	2,954	2,568	921	662	139	143	9,028	10,184
Net Assets									
Invested In Capital Assets, Net of Related Debt	6	2,463	1,645	2,864	316	89	77		4,762
Unrestricted	1,050	236	2,955	3,768	912	999	474	6,233	3,319
Total Net Assets	\$ 1,056	\$ 2,699	\$ 4,600	\$ 6,632	\$ 1,228	\$ 1,088	\$ 551	\$ 6,233	\$ 8,081

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

June 30, 2002

(Expressed in Thousands--Continued)

Assets	Personnel	Workers Compensation	Investment Council	Other	Total
Current Assets:					
Cash and Cash Equivalents	\$ 209	\$ 4,775	\$ 1,182	\$ 3,937	\$ 45,121
Receivables:					
Interest and Dividends	3	47		38	398
Other Funds	300			711	7,316
Component Units	3			65	908
Other Governments				53	56
Other	5			134	527
Inventory				360	1,930
Securities Lending Collateral	45	1,035	260	847	9,722
Deferred Fiscal Charges and Other Assets			17	24	1,624
Total Current Assets	565	5,857	1,459	6,169	67,602
Capital Assets:					
Property, Plant and Equipment	33		31	2,828	62,237
Accumulated Depreciation	(24)		(15)	(1,896)	(41,024)
Construction in Progress					1,413
Total Capital Assets	9	0	16	932	22,626
Other Noncurrent Assets					
Total Assets	574	5,857	1,475	7,101	90,228
Liabilities					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	\$ 235	\$ 28	\$ 180	\$ 535	\$ 4,141
Payable To:					
Other Funds	62	2	5	448	1,582
Component Units				1	27
Bonds, Notes and Leases Payable				239	3,783
Claims, Judgments and Compensated Absences	209	2,697	222	400	15,397
Deferred Revenue				44	4,691
Securities Lending Collateral Liability	45	1,035	260	847	9,722
	551	3,762	667	2,514	39,343
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable				90	5,993
Claims, Judgments and Compensated Absences	215	13,856	228	412	20,012
Total Liabilities	766	17,618	895	3,016	65,348
Net Assets					
Invested In Capital Assets, Net of Related Debt	9		16	603	12,850
Unrestricted	(201)	(11,761)	564	3,482	12,030
Total Net Assets	\$ (192)	\$ (11,761)	\$ 580	\$ 4,085	\$ 24,880

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, 2002
(Expressed in Thousands)

	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Tele- Communi- cations</u>	<u>Accounting and Payroll</u>	<u>Buildings and Grounds</u>	<u>Central Mail</u>	<u>Rural Development Telecommunica- tions Network</u>	<u>Public Entity Pool for Liability</u>	<u>Fleet and Travel Management</u>
Operating Revenue:									
Use of Money and Property	\$ 6	\$	\$	\$	\$	\$	\$	\$	\$
Sales and Services	66,182	14,698	14,954	3,774	3,900	3,523	865	2,770	13,314
Other Revenue								466	
Total Operating Revenue:	<u>66,188</u>	<u>14,698</u>	<u>14,954</u>	<u>3,774</u>	<u>3,900</u>	<u>3,523</u>	<u>865</u>	<u>3,236</u>	<u>13,314</u>
Operating Expenses:									
Personal Services and Benefits	292	8,894	4,210	453	2,280	321	292	193	422
Travel	15	59	170	7	4	2	12	21	9
Contractual Services	6,397	5,427	9,152	2,052	1,088	164	453	1,153	2,382
Supplies and Materials	47	557	555	91	464	3,028	60	22	4,212
Interest			15		4				457
Depreciation/Amortization		497	921	1,268	69	44	40		4,719
Insurance Claims	<u>62,993</u>							<u>1,867</u>	
Total Operating Expenses	<u>69,744</u>	<u>15,434</u>	<u>15,023</u>	<u>3,871</u>	<u>3,909</u>	<u>3,559</u>	<u>857</u>	<u>3,256</u>	<u>12,201</u>
Operating Income (Loss)	<u>(3,556)</u>	<u>(736)</u>	<u>(69)</u>	<u>(97)</u>	<u>(9)</u>	<u>(36)</u>	<u>8</u>	<u>(20)</u>	<u>1,113</u>
Nonoperating Revenue (Expenses):									
Gain on Disposal of Assets			7		5				203
Loss on Disposal of Assets		(5)							(288)
Interest Income	779	45	100	122	21	12	7	555	68
Other Expense	<u>(82)</u>	<u>(7)</u>	<u>(11)</u>	<u>(12)</u>	<u>(2)</u>	<u>(1)</u>	<u>(1)</u>	<u>(61)</u>	<u>(5)</u>
Total Nonoperating Revenue (Expenses)	<u>697</u>	<u>33</u>	<u>96</u>	<u>110</u>	<u>24</u>	<u>11</u>	<u>6</u>	<u>494</u>	<u>(22)</u>
Income (Loss) Before Transfers	(2,859)	(703)	27	13	15	(25)	14	474	1,091
Transfers:									
Transfers In		293	17	2	1				176
Transfers Out									(2)
Net Transfers In (Out)	<u>0</u>	<u>293</u>	<u>17</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>174</u>
Change in Net Assets	(2,859)	(410)	44	15	16	(25)	14	474	1,265
Net Assets At Beginning of Year, restated	<u>3,915</u>	<u>3,109</u>	<u>4,556</u>	<u>6,617</u>	<u>1,212</u>	<u>1,113</u>	<u>537</u>	<u>5,759</u>	<u>6,816</u>
Net Assets at End of Year	<u>\$ 1,056</u>	<u>\$ 2,699</u>	<u>\$ 4,600</u>	<u>\$ 6,632</u>	<u>\$ 1,228</u>	<u>\$ 1,088</u>	<u>\$ 551</u>	<u>\$ 6,233</u>	<u>\$ 8,081</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands--Continued)

	<u>Personnel</u>	<u>Workers Compensation</u>	<u>Investment Council</u>	<u>Other</u>	<u>Total</u>
Operating Revenue:					
Use of Money and Property	\$	\$	\$	\$	\$ 6
Sales and Services	3,287	2,966	3,743	10,423	144,399
Other Revenue		81		8	555
Total Operating Revenue:	<u>3,287</u>	<u>3,047</u>	<u>3,743</u>	<u>10,431</u>	<u>144,960</u>
Operating Expenses:					
Personal Services and Benefits	2,416	126	2,284	4,530	26,713
Travel	62	1	33	252	647
Contractual Services	871	73	813	2,170	32,195
Supplies and Materials	249	8	34	2,983	12,310
Interest				53	529
Depreciation/Amortization	4		3	331	7,896
Insurance Claims		1,326		314	66,500
Total Operating Expenses	<u>3,602</u>	<u>1,534</u>	<u>3,167</u>	<u>10,633</u>	<u>146,790</u>
Operating Income (Loss)	<u>(315)</u>	<u>1,513</u>	<u>576</u>	<u>(202)</u>	<u>(1,830)</u>
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets					215
Loss on Disposal of Assets			(4)	(7)	(304)
Interest Income	21	281		233	2,244
Other Expense	(2)	(28)		(23)	(235)
Total Nonoperating Revenue (Expenses)	<u>19</u>	<u>253</u>	<u>(4)</u>	<u>203</u>	<u>1,920</u>
Income (Loss) Before Transfers	(296)	1,766	572	1	90
Transfers:					
Transfers In	129			2	620
Transfers Out				(239)	(241)
Net Transfers In (Out)	<u>129</u>	<u>0</u>	<u>0</u>	<u>(237)</u>	<u>379</u>
Change in Net Assets	(167)	1,766	572	(236)	469
Net Assets At Beginning of Year, restated	<u>(25)</u>	<u>(13,527)</u>	<u>8</u>	<u>4,321</u>	<u>24,411</u>
Net Assets at End of Year	<u>\$ (192)</u>	<u>\$ (11,761)</u>	<u>\$ 580</u>	<u>\$ 4,085</u>	<u>\$ 24,880</u>

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

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail	Rural Development Telecommunica- tions Network
Cash Flows from Operating Activities:							
Receipts from Customers and Users	\$ 35,990	\$ 346	\$ 3,287	\$ 147	\$ 19	\$ 87	\$ 265
Receipts from Interfund Services Provided	31,346	14,355	11,655	3,542	3,841	3,466	463
Payments to Suppliers and for Benefits and Claims	(67,853)	(4,928)	(8,485)	(856)	(1,103)	(3,439)	(449)
Payments for Employee Services	(295)	(8,707)	(4,123)	(440)	(2,266)	(310)	(281)
Payments for Interfund Services Used	(348)	(1,201)	(1,587)	(1,435)	(444)	(85)	(123)
Other Receipts (Payments)							
Net Cash Provided (Used) by Operating Activities	(1,160)	(135)	747	958	47	(281)	(125)
Cash Flows From Capital and Related Financing Activities:							
Activities:							
Purchases of Capital Assets		(2,249)	(1,079)		(11)	(19)	(39)
Sales of Capital Assets			7		6	1	
Payments on Notes					(112)		
Payments on Capital Lease Obligations			(209)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(2,249)	(1,281)	0	(117)	(18)	(39)
Cash Flows From Noncapital Financing Activities:							
Transfers In							
		293		2			
Transfers Out							
Net Cash Provided (Used) From Noncapital Financing Activities	0	293	0	2	0	0	0
Cash Flows From Investing Activities							
Investment Income (Expense)	834	63	110	129	21	14	9
Security Lending Rebate Fees	(82)	(7)	(11)	(12)	(2)	(1)	(1)
Net Cash Provided (Used) by Investing Activities	752	56	99	117	19	13	8
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(408)	(2,035)	(435)	1,077	(51)	(286)	(156)
Cash and Cash Equivalents at Beginning of Year, restated	14,195	3,203	2,539	1,802	479	529	383
Cash and Cash Equivalents at End of Year	\$ 13,787	\$ 1,168	\$ 2,104	\$ 2,879	\$ 428	\$ 243	\$ 227

Reconciliation of Operating Income (Loss) to Net

Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ (3,556)	\$ (736)	\$ (69)	\$ (97)	\$ (9)	\$ (36)	\$ 8
Adjustments to Reconcile Operating Income (Loss):							
Depreciation/Amortization Expense		497	921	1,268	69	44	40
Interest Expense			17		7		
Decrease/(Increase) in Assets:							
Accounts Receivable		(2)				8	(3)
Due From Other Funds		(96)	(16)	(75)	(39)	22	32
Due From Component Units		7	1	(11)			(166)
Due From Other Governments							
Inventory		(5)	(331)		5	(295)	
Deferred Fiscal Charges and Other Assets	(103)	(4)	(91)	(9)	5	(35)	(15)
Increase/(Decrease) in Liabilities:							
Accounts Payable	322	(106)	79	(82)	(2)	(1)	(31)
Accrued Liabilities	(2)	51	24	2	10	2	(1)
Compensated Absences Payable		135	63	11	4	9	11
Due To Other Funds	5	124	149	(49)	(3)	1	
Due to Component Units							
Deferred Revenue	939						
Policy Claim Liabilities	1,235						
Net Cash Provided (Used) by Operating Activities	\$ (1,160)	\$ (135)	\$ 747	\$ 958	\$ 47	\$ (281)	\$ (125)

Noncash Investing, Capital and Financing Activities:

Gain (Loss) on Disposal of Fixed Assets	(5)	7			5		
Capital Lease Obligations Entered Into							
Transfers In (Out) of Fixed Assets			17		2		

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

For the Fiscal Year Ended June 30, 2002

(Expressed in Thousands--Continued)

	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Investment Council	Other	Total
Cash Flows from Operating Activities:							
Receipts from Customers and Users	\$ 684	\$ 2,310	\$ 33	\$ 787	\$ 3,361	\$ 1,909	\$ 49,225
Receipts from Interfund Services Provided	2,084	10,994	3,182	2,261	652	8,527	96,368
Payments to Suppliers and for Benefits and Claims	(3,147)	(1,761)	(592)	(2,767)	(809)	(3,932)	(100,121)
Payments for Employee Services	(177)	(408)	(2,399)	(120)	(2,215)	(4,446)	(26,187)
Payments for Interfund Services Used	(97)	(5,093)	(491)	(20)	(77)	(1,721)	(12,722)
Other Receipts (Payments)	466					38	504
Net Cash Provided (Used) by Operating Activities	(187)	6,042	(267)	141	912	375	7,067
Cash Flows From Capital and Related Financing Activities:							
Purchases of Capital Assets		(1,339)			(15)	(140)	(4,891)
Sales of Capital Assets		712					726
Payments on Notes							(112)
Payments on Capital Lease Obligations		(5,162)				(294)	(5,665)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(5,789)	0	0	(15)	(434)	(9,942)
Cash Flows From Noncapital Financing Activities:							
Transfers In		175	129				599
Transfers Out						(239)	(239)
Net Cash Provided (Used) From Noncapital Financing Activities	0	175	129	0	0	(239)	360
Cash Flows From Investing Activities							
Investment Income (Expense)	612	60	20	291		238	2,401
Security Lending Rebate Fees	(61)	(5)	(2)	(28)		(23)	(235)
Net Cash Provided (Used) by Investing Activities	551	55	18	263	0	215	2,166
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	364	483	(120)	404	897	(83)	(349)
Cash and Cash Equivalents at Beginning of Year, restated	11,845	1,490	329	4,371	285	4,020	45,470
Cash and Cash Equivalents at End of Year	\$ 12,209	\$ 1,973	\$ 209	\$ 4,775	\$ 1,182	\$ 3,937	\$ 45,121
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ (20)	\$ 1,113	\$ (315)	\$ 1,513	\$ 576	\$ (202)	\$ (1,830)
Adjustments to Reconcile Operating Income (Loss):							
Depreciation/Amortization Expense		4,719	4		3	331	7,896
Interest Expense		548				52	624
Decrease/(Increase) in Assets:							
Accounts Receivable	(297)	(4)	(4)			84	(218)
Due From Other Funds			(65)		270	65	98
Due From Component Units		(7)	(2)			(4)	(182)
Due From Other Governments		(3)				3	0
Inventory						(13)	(639)
Deferred Fiscal Charges and Other Assets		(43)			(3)	(3)	(301)
Increase/(Decrease) in Liabilities:							
Accounts Payable	36	(16)	82	2	(4)	45	324
Accrued Liabilities	3	2		2	18	6	117
Compensated Absences Payable	12	13	17	4	52	71	402
Due To Other Funds	2	(245)	16			(67)	(67)
Due to Component Units		(35)					(35)
Deferred Revenue						7	946
Policy Claim Liabilities	77			(1,380)			(68)
Net Cash Provided (Used) by Operating Activities	\$ (187)	\$ 6,042	\$ (267)	\$ 141	\$ 912	\$ 375	\$ 7,067
Noncash Investing, Capital and Financing Activities:							
Gain (Loss) on Disposal of Fixed Assets		(85)			(4)	(7)	(89)
Capital Lease Obligations Entered Into		4,732					4,732
Transfers In (Out) of Fixed Assets		(2)					17

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2002
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Assets			
Cash and Cash Equivalents	\$ 13,232	\$ 2,816	\$ 16,048
Receivables:			
Employer	2,408		2,408
Employee	5,791		5,791
Benefits	79		79
Unsettled Investment Sales	21,238		21,238
Investment Income	20,879	156	21,035
Total Receivables	50,395	156	50,551
Investments, at Fair Value:			
Fixed Income	1,821,344	8,277	1,829,621
Equities	2,358,923	16,662	2,375,585
Real Estate	293,393	2,117	295,510
Private Equity	170,343	1,160	171,503
Total Investments	4,644,003	28,216	4,672,219
Securities Lending Collateral	256,420	421	256,841
Due From Broker		79	79
Properties, at Cost	51		51
Accumulated Depreciation	(28)		(28)
Other Assets	23		23
Total Assets	4,964,096	31,688	4,995,784
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,728	22	2,750
Due to Other Funds	20	1	21
Compensated Absences Payable	219		219
Securities Sold, But Not Yet Purchased, at Fair Value	66,719		66,719
Unsettled Investment Purchases	13,090		13,090
Securities Lending Collateral Liability	256,420	421	256,841
Total Liabilities	339,196	444	339,640
Net Assets Held In Trust For Pension and Other Employee Benefits	\$ 4,624,900	\$ 31,244	\$ 4,656,144

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Additions	South Dakota Retirement System	Cement Plant Retirement System	Total
Contributions:			
Employee	\$ 66,311	\$	\$ 66,311
Employer	58,545		58,545
Total Contributions	<u>124,856</u>	<u>0</u>	<u>124,856</u>
Investment Income:			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	(388,314)	(2,714)	(391,028)
Interest	92,795	623	93,418
Dividends	45,610	320	45,930
Real Estate	11,336	84	11,420
Investment Activity Income	<u>(238,573)</u>	<u>(1,687)</u>	<u>(240,260)</u>
Less Investment Activity Expenses	(11,363)	(24)	(11,387)
Net Investment Activity Income	<u>(249,936)</u>	<u>(1,711)</u>	<u>(251,647)</u>
<i>From Security Lending Activities</i>			
Security Lending Income	7,668	17	7,685
Security Lending Expenses	<u>(6,558)</u>	<u>(15)</u>	<u>(6,573)</u>
Net Security Lending Activity Income	<u>1,110</u>	<u>2</u>	<u>1,112</u>
Net Investment Income (Loss)	<u>(248,826)</u>	<u>(1,709)</u>	<u>(250,535)</u>
Transfers From Other Funds		481	481
Total Additions	<u>(123,970)</u>	<u>(1,228)</u>	<u>(125,198)</u>
Deductions			
Benefits	166,266	1,769	168,035
Refunds of Contributions	22,130		22,130
Administrative Expenses	2,440	137	2,577
Total Deductions	<u>190,836</u>	<u>1,906</u>	<u>192,742</u>
Net Increase	(314,806)	(3,134)	(317,940)
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	<u>4,939,706</u>	<u>34,378</u>	<u>4,974,084</u>
End of Year	<u>\$ 4,624,900</u>	<u>\$ 31,244</u>	<u>\$ 4,656,144</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2002
(Expressed in Thousands)

<u>Assets</u>	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 5,569	\$ 132	\$ 647	\$ 1,936	\$ 8,284
Receivables:					
Due from Other Funds			69		69
Investment Income	983	1		6	990
Other	4,979	137			5,116
Total Receivables	5,962	138	69	6	6,175
Investments, at Fair Value:					
Pooled Investment Funds	105,582				105,582
Money Market				3	3
Total Investments	105,582	0	0	3	105,585
Securities Lending Collateral	15,268	29		383	15,680
Properties, at Cost	9,999				9,999
Other Assets				20	20
Total Assets	142,380	299	716	2,348	145,743
<u>Liabilities</u>					
Payables:					
Accounts Payable and Other Liabilities	4,149	57		4	4,210
Due To Other Funds			42	37	79
Securities Lending Collateral Liability	15,268	29		383	15,680
Total Liabilities	19,417	86	42	424	19,969
Net Assets Held In Trust For Others	\$ 122,963	\$ 213	\$ 674	\$ 1,924	\$ 125,774

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

Additions	Common School	Child's Own	Corrections	Other	Total
Contributions:					
From Participants	\$	\$	\$	\$ 730	\$ 730
From Clients and Inmates			3,282	899	4,181
Total Contributions	<u>0</u>	<u>0</u>	<u>3,282</u>	<u>1,629</u>	<u>4,911</u>
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	(2,440)	(1)			(2,441)
Interest	6,638	6		31	6,675
Dividends	447				447
Net Investment Activity Income	<u>4,645</u>	<u>5</u>	<u>0</u>	<u>31</u>	<u>4,681</u>
<i>From Security Lending Activities</i>					
Security Lending Income	104	1		4	109
Security Lending Expenses	(94)	(1)		(4)	(99)
Net Security Lending Activity Income	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Net Investment Income (Loss)	<u>4,655</u>	<u>5</u>	<u>0</u>	<u>31</u>	<u>4,691</u>
Escheated Property	120				120
Gain from Sale of Assets	88				88
Miscellaneous Income	<u>2,317</u>	<u>802</u>			<u>3,119</u>
Total Additions	<u>7,180</u>	<u>807</u>	<u>3,282</u>	<u>1,660</u>	<u>12,929</u>
Deductions					
Distribution to School Districts	10,381				10,381
Payments made for Trust Purposes		779	3,088	1,043	4,910
Administrative Expenses				51	51
Transfers to Other Funds				6	6
Total Deductions	<u>10,381</u>	<u>779</u>	<u>3,088</u>	<u>1,100</u>	<u>15,348</u>
Net Increase (Decrease)	(3,201)	28	194	560	(2,419)
Net Assets Held In Trust For Others					
Beginning of Year, restated	<u>126,164</u>	<u>185</u>	<u>480</u>	<u>1,364</u>	<u>128,193</u>
End of Year	<u>\$ 122,963</u>	<u>\$ 213</u>	<u>\$ 674</u>	<u>\$ 1,924</u>	<u>\$ 125,774</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2002
(Expressed in Thousands)

	Department of Revenue - Tax Collections	Social Services - Child Support	State Auditor - Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	\$ 13,672	\$ 2,310	\$ 3,517	\$ 3,525	\$ 1,194	\$ 24,218
Receivables:						
Taxes Receivable (net)	21,244					21,244
Due From Other Governments	452				71	523
Investment Income	70				1	71
Other	99					99
Total Receivables	<u>21,865</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72</u>	<u>21,937</u>
Total Assets	\$ 35,537	\$ 2,310	\$ 3,517	\$ 3,525	\$ 1,266	\$ 46,155
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 3,998	\$ 2,310	\$	\$ 3,525	\$ 249	\$ 10,082
Due To Other Governments	31,539		3,517		1,017	36,073
Total Liabilities	\$ 35,537	\$ 2,310	\$ 3,517	\$ 3,525	\$ 1,266	\$ 46,155

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

	Balance July 1, 2001 as restated	Additions	Deductions	Balance June 30, 2002
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 15,245	\$ 185,598	\$ 187,171	\$ 13,672
Accounts Receivable	90	99	90	99
Taxes Receivable (Net)	19,784	21,244	19,784	21,244
Interest and Dividends Receivable	283	70	283	70
Due From Other Governments	221	452	221	452
	\$ 35,623	\$ 207,463	\$ 207,549	\$ 35,537
Total Assets	\$ 35,623	\$ 207,463	\$ 207,549	\$ 35,537
Liabilities:				
Accounts Payable and Other Liabilities	\$ 5,597	\$ 2,261	\$ 3,860	\$ 3,998
Due To Other Governments	30,026	205,202	203,689	31,539
	\$ 35,623	\$ 207,463	\$ 207,549	\$ 35,537
Total Liabilities	\$ 35,623	\$ 207,463	\$ 207,549	\$ 35,537
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 768	\$ 66,645	\$ 65,103	\$ 2,310
Interest and Dividends Receivable	10		10	0
	\$ 778	\$ 66,645	\$ 65,113	\$ 2,310
Total Assets	\$ 778	\$ 66,645	\$ 65,113	\$ 2,310
Liabilities:				
Accounts Payable and Other Liabilities	\$ 778	\$ 66,645	\$ 65,113	\$ 2,310
	\$ 778	\$ 66,645	\$ 65,113	\$ 2,310
Total Liabilities	\$ 778	\$ 66,645	\$ 65,113	\$ 2,310
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 3,450	\$ 133,399	\$ 133,332	\$ 3,517
	\$ 3,450	\$ 133,399	\$ 133,332	\$ 3,517
Total Assets	\$ 3,450	\$ 133,399	\$ 133,332	\$ 3,517
Liabilities:				
Accounts Payable and Other Liabilities	\$ 0	\$ 1,834	\$ 1,834	\$ 0
Due To Other Governments	3,450	131,565	131,498	3,517
	\$ 3,450	\$ 133,399	\$ 133,332	\$ 3,517
Total Liabilities	\$ 3,450	\$ 133,399	\$ 133,332	\$ 3,517
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 2,617	\$ 32,902	\$ 31,994	\$ 3,525
	\$ 2,617	\$ 32,902	\$ 31,994	\$ 3,525
Total Assets	\$ 2,617	\$ 32,902	\$ 31,994	\$ 3,525
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,617	\$ 32,902	\$ 31,994	\$ 3,525
	\$ 2,617	\$ 32,902	\$ 31,994	\$ 3,525
Total Liabilities	\$ 2,617	\$ 32,902	\$ 31,994	\$ 3,525

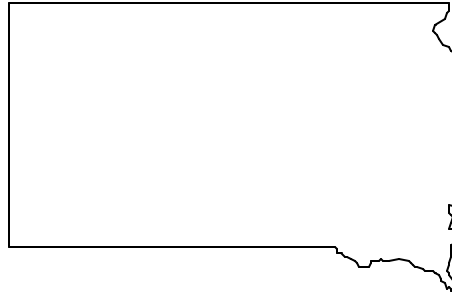
**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

<u>Other Agency Funds</u>	Balance July 1, 2001 as restated	Additions	Deductions	Balance June 30, 2002
Assets:				
Cash and Cash Equivalents	\$ 3,535	\$ 17,589	\$ 19,930	\$ 1,194
Interest and Dividends Receivable	9	1	9	1
Due From Other Governments	10	592	531	71
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 3,554</u>	<u>\$ 18,182</u>	<u>\$ 20,470</u>	<u>\$ 1,266</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,537	\$ 15,928	\$ 18,216	\$ 249
Due To Other Governments	1,017	1,132	1,132	1,017
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 3,554</u>	<u>\$ 17,060</u>	<u>\$ 19,348</u>	<u>\$ 1,266</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$ 25,615	\$ 436,133	\$ 437,530	\$ 24,218
Accounts Receivable	90	99	90	99
Taxes Receivable (Net)	19,784	21,244	19,784	21,244
Interest and Dividends Receivable	302	71	302	71
Due From Other Governments	231	1,044	752	523
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 46,022</u>	<u>\$ 458,591</u>	<u>\$ 458,458</u>	<u>\$ 46,155</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 11,529	\$ 119,570	\$ 121,017	\$ 10,082
Due To Other Governments	34,493	337,899	336,319	36,073
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 46,022</u>	<u>\$ 457,469</u>	<u>\$ 457,336</u>	<u>\$ 46,155</u>



STATISTICAL SECTION

SOUTH DAKOTA - MISCELLANEOUS



STATE CAPITOL: PIERRE

ADMITTED TO THE UNION: 1889

NICKNAME: THE MOUNT RUSHMORE STATE

MOTTO: UNDER GOD THE PEOPLE RULE

POPULATION ESTIMATE 2002: 761,063

POPULATION CENSUS 2000: 754,844

RANKS 16TH IN AREA AT 75,885 SQUARE MILES OF LAND AREA -- 1,232 SQUARE MILES OF INLAND WATER

POPULATION PER SQUARE MILE IN 2000: 9.9

DIVIDED INTO 66 COUNTIES

BORDERED BY SIX STATES: MINNESOTA, NORTH DAKOTA, NEBRASKA, MONTANA, IOWA, AND WYOMING

LOWEST ELEVATION POINT: 962 FEET (BIG STONE LAKE)

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

STATE TREE: BLACK HILLS SPRUCE

STATE FLOWER: AMERICAN PASQUE

STATE ANIMAL: COYOTE

STATE BIRD: CHINESE RING-NECKED PHEASANT

STATE FISH: WALLEYE

STATE INSECT: HONEY BEE (APIS MELLIFERA L.)

STATE GEM STONE: FAIRBURN AGATE

STATE MINERAL: ROSE QUARTZ

STATE JEWELRY: BLACK HILLS GOLD

STATE SLOGAN: GREAT FACES, GREAT PLACES

STATE SOIL: HOUDEK

STATE DESSERT: KUCHEN

SOUTH DAKOTA

SQUARE MILES OF LAND	75,885
MILES OF HIGHWAY	83,472
STATE PARKS	12
NATIONAL PARKS/MONUMENTS/MEMORIALS	6
STATE UNIVERSITIES	6
PRIVATE COLLEGES AND UNIVERSITIES	14
VOCATIONAL/TECHNICAL SCHOOLS	4

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

CLIMATE

South Dakota is a four-season state, with the weather as diverse as the terrain. Throughout the summer and early fall months, the state enjoys a warm, dry climate, with cool summer evenings. The winter climate is ideal for snow activities, with ample snowfall and cool temperatures. The following averages are based on a 30-year average from 1971-2000.

Average January temperature: 9.8° Fahrenheit in the northeast to 21.5° Fahrenheit in the southwest.

Average July temperature: 66.8° Fahrenheit in the Black Hills to 73.8° Fahrenheit in the south-central part of the state.

Average annual precipitation is 20.53 inches.

HIGHWAYS

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

TWO TIME ZONES

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

AIRLINES

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

GENERAL CENSUS INFORMATION

AGE GROUPS (2000)		% OF TOTAL
0- 4	51,069	6.8%
5-14	113,949	15.1%
15-17	37,631	5.0%
18-24	77,634	10.3%
25-34	91,013	12.1%
35-44	115,386	15.3%
45-64	160,031	21.2%
65- >	108,131	14.3%
18- >	552,195	73.2%

RACIAL DISTRIBUTION (2000)		% OF TOTAL
WHITE	669,404	88.7%
AMERICAN INDIAN	57,324	7.6%
OTHER	28,116	3.7%
TOTAL	754,844	100.0%

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

POPULATION DISTRIBUTION (2000)		% OF TOTAL
CITIES (25,000 +)	183,582	24.3%
CITIES (2,500 - 25,000)	190,772	25.3%
REMAINING CITIES (<2,500)	128,942	17.1%
REMAINING AREAS	251,548	33.3%
TOTAL	754,844	100.0%

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

LARGEST CITIES (2000)			
SIOUX FALLS	123,975	VERMILLION *	9,765
RAPID CITY	59,607	SPEARFISH	8,606
ABERDEEN.....	24,658	MADISON	6,540
WATERTOWN.....	20,237	STURGIS	6,442
BROOKINGS.....	18,504	BRANDON.....	5,693
MITCHELL	14,558	BELLE FOURCHE	4,565
PIERRE	13,876	HOT SPRINGS	4,129
YANKTON	13,528	MILBANK	3,640
HURON.....	11,893	MOBRIDGE	3,574

* Vermillion population recently revised to 10,276 by U.S. Census Bureau.

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

HISTORICAL CENSUS COUNTS FOR SOUTH DAKOTA

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

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

MAJOR EMPLOYERS IN SOUTH DAKOTA

BUSINESS	EMPLOYEES
Sioux Valley Hospital (Sioux Falls)	5,600
Gateway 2000 (Throughout SD)	5,070
Avera McKennan Hospital (Sioux Falls)	3,230
Citibank South Dakota NA (Sioux Falls)	3,200
John Morrell and Company (Sioux Falls)	3,000
Rapid City Regional Hospital (Rapid City)	3,000
Evangelical Lutheran Good Samaritan Society	2,272
Hy-Vee Food Stores (Throughout SD)	2,222
Premier Bankcard	1,911
Midwest Coast Transport (Sioux Falls)	1,562

SOURCES: Governor's Office of Economic Development, February and September 2002 Surveys of Local Development Corporations. Compiled by South Dakota State Data Center, USD Business Research Bureau.

NOTE: Excludes federal, state, and local governments.

PUBLIC SCHOOL STATISTICS

SCHOOL YEAR	SCHOOL	K-12 FALL	* TEACHER	PUPIL/ TEACHER
2002	744	125,612	9,090	13.8
2001	753	126,990	9,149	13.9
2000	749	129,093	9,230	14.0
1999	757	131,117	9,048	14.5
1998	767	132,780	8,827	14.9
1997	766	133,949	** 9,255	14.5
1996	774	134,972	8,984	15.0
1995	774	134,290	9,010	14.9
1994	773	134,676	8,879	15.2
1993	764	132,970	8,766	15.2

NOTE: Compiled by the South Dakota State Data Center, USD Business Research Bureau.

* 1991 Through Present = FTE.

** Headcount.

<i>EXPENDITURES ON EDUCATION PER PUPIL IN DAILY ATTENDANCE</i>				<i>PERCENT REVENUE FROM STATE GOVERNMENT</i>		
SCHOOL YEAR	UNITED STATES	SOUTH DAKOTA	SOUTH DAKOTA RANK	UNITED STATES	SOUTH DAKOTA	SOUTH DAKOTA RANK
2001	7,640	6,102	42	50.2	40.3	43
^R 2000	7,316	5,837	42	50.2	38.5	46
1999	6,734	5,281	46	49.7	35.5	47
1998	6,638	5,166	44	46.6	31.7	46
1997	6,394	4,990	45	46.1	31.2	46
1996	6,139	5,070	40	47.9	26.1	49
1995	5,957	4,918	41	46.0	27.3	49
1994	5,749	4,733	39	46.3	28.7	49
1993	5,538	4,524	41	46.8	26.1	49
1992	5,466	4,175	43	47.5	27.0	49

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

R = Revised

ELEMENTARY AND SECONDARY EDUCATION

YEAR	K-12 SCHOOL ADM (FISCAL YEAR)	COST PER PUPIL (ADM)
2002	124,589	\$5,943
2001	126,314	5,705
2000	128,114	5,277
1999	130,157	4,922
1998	132,024	4,621
1997	133,251	4,358
1996	134,052	4,240
1995	133,795	4,220
1994	133,303	4,045
1993	132,408	3,843
<i>ADM = Average Daily Membership</i>		

SOURCE: *Education in South Dakota: A Statistical Profile*, DECA 2001-2002. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

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

2001 CIVILIAN LABOR FORCE

	LABOR FORCE	EMPLOYE D	UNEMPLOYE D	UNEMPLOYMEN T RATE	SD NON- INSTITU. POP.	PARTICIPATION RATE
Males	210,000	203,000	7,000	3.3%	269,000	78.1%
Females	196,000	189,000	6,000	3.3%	288,000	68.1%
TOTAL	405,000	392,000	13,000	3.3%	557,000	72.7%

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

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

STATE UNIVERSITIES HISTORICAL FALL HEADCOUNT ENROLLMENTS

YEAR	BHSU	DSU	NSU	SDSMT	SDSU	USD	SYSTEM TOTALS	CHANGE FALL TO FALL
2002	3,694	2,263	3,013	2,447	9,952	8,703	30,072	4.30%
2001	3,836	2,019	3,038	2,424	9,350	8,161	28,828	4.60%
2000	4,068	1,801	3,315	2,308	8,719	7,349	27,560	3.60%
1999	3,747	2,003	3,164	2,275	8,540	6,887	26,616	2.20%
1998	3,639	1,831	2,873	2,265	8,635	7,317	26,560	3.30%
1997	3,445	1,409	2,623	2,260	8,818	7,164	25,719	-3.00%
1996	3,549	1,274	2,832	2,245	9,067	7,541	26,508	-3.40%
1995	3,623	1,360	2,724	2,372	9,323	8,027	27,429	-5.00%
1994	3,915	1,439	3,077	2,472	9,650	8,319	28,872	-0.10%

SOURCE: South Dakota Board of Regents.

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

POSTSECONDARY VOCATIONAL TECHNICAL INSTITUTES (Full and Part-Time)

INSTITUTE	FALL ENROLLMENT		
	2000	2001	2002
Lake Area Vocational Technical Institute	1,004	942	952
Mitchell Vocational Technical Institute	905	831	865
Southeast Vocational Technical Institute	2,283	1,734	2,205
Western Dakota Vocational Technical Institute	966	812	1,022
Mike Durfee State Prison*	209	141	58

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

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

2001 SOURCES OF INCOME PERCENT OF TOTAL

SOURCE	SOUTH DAKOTA	UNITED STATES
Labor Compensation *	50.9%	59.2%
Proprietor's Income	11.9%	8.4%
<i>Nonfarm</i>	8.4%	8.2%
<i>Farm</i>	3.5%	0.2%
Transfer Payment	14.0%	13.5%
Dividend, Interest, and Rent	23.3%	18.9%

SOURCE: U.S. Department of Commerce, October 2002. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

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

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2001	\$30,472	2.4%	\$29,313	3.1%	\$26,664	3.3%
2000	29,770	6.8%	28,429	6.2%	25,823	5.5%
1999	27,880	3.7%	26,769	3.0%	24,477	4.4%
1998	26,893	5.8%	26,001	6.1%	23,453	7.2%
1997	25,412	4.7%	24,517	4.2%	21,885	2.3%
1996	24,270	4.4%	23,520	6.2%	21,399	9.2%
1995	23,255	4.1%	22,138	3.5%	19,588	1.0%
1994	22,340	3.7%	21,381	5.5%	19,399	5.4%
1993	21,539	2.8%	20,258	2.1%	18,413	3.1%
1992	20,960	4.7%	19,838	5.6%	17,862	5.6%

SOURCE: U.S. Department of Commerce, October 2002. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

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

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

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2002	288,369	1.1%	19,469	0.5%	761	0.4%
2001	285,318	1.4%	19,371	0.7%	758	0.4%
2000	281,422	0.9%	19,238	0.6%	755	0.7%
1999	279,040	0.9%	18,130	0.7%	750	0.5%
1998	275,854	1.2%	18,989	0.7%	746	0.3%
1997	272,647	1.2%	18,850	0.8%	744	0.3%
1996	269,394	1.2%	18,706	0.8%	742	0.5%
1995	266,278	1.2%	18,560	1.0%	738	1.0%
1994	263,126	1.2%	18,381	0.9%	731	1.2%
1993	259,919	1.3%	18,210	1.0%	722	1.4%

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

NOTE: Midyear (July 1) population estimates of the U.S. Bureau of the Census for all years except 2000. State data for 1991 – 1999 have been revised using U.S. Census Bureau estimates released April 2002. Estimates for 2001 and 2002 were released December 2002. Revised U.S. data for 1991- 1999 released September 2002.

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

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2001	8,678,255	3.3%	566,457	3.4%	20,174	3.4%
2000	8,398,796	8.0%	547,631	6.9%	19,509	6.2%
1999	7,779,511	4.9%	512,109	3.7%	18,368	5.0%
1998	7,418,497	7.1%	493,714	6.8%	17,497	7.4%
1997	6,928,545	6.0%	462,173	5.1%	16,288	2.5%
1996	6,538,103	5.6%	439,948	7.1%	15,883	9.9%
1995	6,192,235	5.3%	410,645	4.5%	14,454	2.0%
1994	5,878,362	5.0%	393,000	6.5%	14,177	6.6%
1993	5,598,446	4.1%	368,899	3.2%	13,297	4.4%
1992	5,376,622	6.1%	357,609	6.6%	12,732	7.0%

SOURCE: U.S. Department of Commerce, October 2002. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

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

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

PROPERTY TAX INFORMATION

	2002	2001	2000	1999	1998	1997	1996	1995
Property Taxes *	\$.66	\$.60	\$.61	\$.58	\$.57	\$.54	\$.51	\$.57
Assessed Value *	32.50	30.78	29.24	27.28	25.71	24.34	24.49	23.01
Property Taxes Per \$100 of Assessed Value	2.03	1.95	2.09	2.13	2.22	2.22	2.08	2.48

* Billions of dollars.

SOURCE: *Property Tax Statistical Report*, South Dakota Department of Revenue.

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

	2001		2000		1999		1998		1997	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank
PER CAPITA (CURRENT DOLLARS)										
U.S.	1,969	-	1,922	-	1,837	-	1,754	-	1,660	-
South Dakota	1,292	50	1,228	50	1,188	49	1,140	49	1,041	49
Iowa	1,765	33	1,772	31	1,697	28	1,679	24	1,643	20
Minnesota	2,722	4	2,711	4	2,613	4	2,434	4	2,395	4
Montana	1,654	40	1,564	42	1,524	43	1,509	41	1,433	40
Nebraska	1,768	32	1,742	32	1,598	38	1,585	32	1,538	28
North Dakota	1,940	19	1,826	26	1,745	24	1,690	23	1,660	19
Wyoming	2,274	9	1,952	17	1,691	29	1,783	20	1,380	43
PER \$1,000 PERSONAL INCOME										
U.S.	65	-	64	-	64	-	64	-	64	-
South Dakota	48	48	48	48	47	49	48	49	47	49
Iowa	65	29	67	25	67	24	67	25	69	22
Minnesota	82	6	84	6	85	6	82	4	87	4
Montana	69	24	68	22	69	21	70	22	71	18
Nebraska	61	31	63	31	59	38	61	34	63	31
North Dakota	75	14	73	17	75	15	73	15	80	9
Wyoming	77	12	70	20	63	28	71	21	58	40

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

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

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
2002	* 3.0%	* 5.8%
2001	3.3%	4.8%
2000	2.3%	4.0%
1999	2.9%	4.2%
1998	2.9%	4.5%
1997	3.1%	4.9%
1996	3.2%	5.4%
1995	2.9%	5.6%
1994	3.3%	6.1%
1993	3.6%	6.9%

* Preliminary Data.

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

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

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

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Mining	0.8	1.1	1.2	1.2	1.7	2.2	2.3	2.3	2.4	2.5
Construction	18.1	18.4	18.0	17.0	16.1	15.2	14.7	14.1	14.0	13.2
Manufacturing	43.5	46.2	49.6	50.1	49.7	49.4	47.8	46.6	43.5	39.6
Transportation and Public Utilities	16.7	17.2	17.0	16.7	16.5	16.3	16.3	16.0	15.5	14.9
Wholesale and Retail Trade	94.0	93.6	92.5	90.6	89.4	88.3	87.7	87.5	84.7	81.6
Wholesale Trade	21.1	21.1	20.5	20.2	20.2	20.0	19.8	19.8	19.3	18.7
Retail Trade	72.9	72.5	72.0	70.4	69.2	68.3	67.9	67.7	65.4	62.9
Finance, Insurance, and Real Estate	28.0	27.8	26.0	24.5	22.6	20.8	19.9	18.8	18.0	17.7
Services	103.0	101.9	103.2	101.0	96.4	92.2	89.8	87.4	86.8	82.6
Government	74.0	73.2	70.3	71.8	71.0	70.5	70.4	71.0	67.1	66.6
TOTAL	378.2	379.2	377.7	373.2	363.2	354.9	348.7	343.5	332.0	318.7
% Change in Nonfarm Employment	-0.3%	0.4%	1.2%	2.8%	2.3%	1.8%	1.5%	3.5%	4.2%	3.2%

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

NOTE: Numbers may not add due to rounding. Data not seasonally adjusted. 2002 numbers are preliminary. Effective January 2001, an economic code change moved tribal workers from nongovernment to government. Data after January 2001 is not comparable to prior data.

EXPANDED AND NEW INDUSTRIES (Dollars Expressed in Millions)

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2002	466	\$156.5	6	\$ 9.4	472	\$165.9
2001	544	141.6	13	96.5	557	238.1
2000	438	249.1	16	10.6	454	259.7
1999	478	261.9	14	23.4	492	285.3
1998	555	208.6	19	21.9	574	230.5
1997	466	236.1	22	7.5	488	243.6
1996	322	210.7	28	24.1	350	234.8
1995	403	236.3	33	92.8	436	329.1
1994	453	133.5	22	4.0	475	137.5
1993	474	161.8	24	17.6	498	179.4

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

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

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

	2002		2001		2000		1999		1998	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Agriculture, Forestry and Fishing	\$ 196.5	0.6%	\$ 187.0	0.5%	\$ 156.8	0.4%	\$ 130.0	0.4%	\$ 117.9	0.3%
Mining	69.6	0.2%	102.0	0.3%	114.3	0.3%	129.1	0.4%	145.4	0.4%
Construction	46.1	0.1%	42.8	0.1%	42.4	0.1%	38.2	0.1%	40.4	0.1%
Manufacturing	4,143.2	12.2%	4,318.9	12.2%	3,666.2	10.0%	3,510.4	10.7%	3,235.5	9.2%
Transportation, Communication, and Utilities	2,203.3	6.5%	2,763.0	7.8%	2,537.7	6.9%	2,438.8	7.4%	1,888.2	5.4%
Wholesale Trade	8,837.3	25.9%	9,756.1	27.6%	9,449.7	25.8%	9,100.4	27.7%	8,132.1	23.2%
Retail Trade	14,032.1	41.2%	13,873.6	39.2%	15,720.0	42.9%	13,324.8	40.6%	17,605.3	50.2%
Finance, Insurance, and Real Estate	271.0	0.8%	198.3	0.6%	176.4	0.5%	157.3	0.6%	162.7	0.5%
Services	4,274.8	12.5%	4,151.9	11.7%	4,781.5	13.0%	3,983.5	12.1%	3,756.9	10.7%
Not coded/Other, Including Public Administration	3.8	0.0%	2.7	0.0%	2.2	0.0%	42.2	0.1%	5.9	0.0%
STATE TOTAL	34,078.1	100.0%	35,396.0	100.0%	36,647.5	100.0%	32,854.7	100.0%	35,090.3	100.0%
% Change From Prior Year	-3.7%		-3.4%		11.5%		-6.4%		-0.1%	

SOURCE: South Dakota Sales and Use Tax Reporting System.

NOTE: Totals may not add due to rounding.

GROSS STATE PRODUCT PERCENT CHANGE

	1999- 2000	1998- 1999	1997- 1998	1996- 1997	1995- 1996	1994- 1995	1993- 1994	1992- 1993	1991- 1992
U.S.	4.5%	4.9%	5.1%	4.9%	3.8%	3.2%	4.1%	2.1%	2.4%
South Dakota	5.1%	5.3%	3.3%	1.6%	3.4%	3.6%	3.8%	5.0%	4.2%
Iowa	3.3%	1.9%	1.0%	5.9%	5.3%	2.1%	7.9%	0.3%	3.5%
Minnesota	5.2%	4.5%	5.7%	6.3%	5.8%	2.8%	5.7%	0.4%	5.0%
Montana	2.7%	2.4%	4.3%	3.0%	1.2%	1.0%	2.5%	4.0%	4.6%
Nebraska	2.5%	3.9%	2.8%	2.4%	5.6%	2.8%	6.4%	0.2%	3.4%
North Dakota	4.1%	-1.2%	6.7%	-0.2%	5.8%	2.5%	6.0%	-1.6%	6.9%
Wyoming	1.2%	4.6%	3.0%	0.7%	1.7%	2.3%	1.8%	3.5%	-0.5%

SOURCE: U.S. Bureau of Economic Analysis data released June 2002 (earlier data has been revised). Compiled by South Dakota State Data Center, USD Business Research Bureau.

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

GROSS STATE PRODUCT 1990 - 2000 (Average Annual Percent Change)

	TOTAL	GOODS PRODUCING INDUSTRIES ¹	PRIVATE SERVICE- TYPE INDUSTRIES ²	GOVERNMENT
U.S.	3.5%	3.3%	4.0%	1.0%
South Dakota	4.1%	5.6%	4.1%	0.7%
Iowa	3.2%	3.3%	3.6%	1.2%
Minnesota	4.1%	3.5%	5.0%	1.2%
Montana	2.8%	2.6%	3.4%	1.0%
Nebraska	3.3%	3.0%	4.2%	0.3%
North Dakota	2.8%	3.8%	3.6%	-0.2%
Wyoming	2.0%	1.3%	3.1%	0.5%

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

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

SOURCE: U.S. Bureau of Economic Analysis data released June 2002 (earlier data has been revised). Compiled by South Dakota State Data Center, USD Business Research Bureau.

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

BANKING

YEAR	BANK DEPOSITS (MILLIONS)	PER CAPITA BANK DEPOSITS
2001	\$14,536	\$19,169
2000	13,485	17,865
1999	12,043	16,049
1998	11,660	15,629
1997	11,787	15,838
1996	13,207	17,794
1995	11,866	16,080
1994	11,378	15,569
1993	11,001	15,233
1992	11,164	15,662

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

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

Per capita bank deposits are calculated by dividing the bank deposits by population from the 1990 and 2000 census; 1991 to 1999 per capita bank deposits calculated using population estimates released April 2002; 2001 per capita bank deposits calculated using population estimates released December 2002. Per capita bank deposits from 1991 to 1999 have been revised based on above population releases.

FARM STATISTICS

CALENDAR YEAR	NUMBER OF FARMS	VALUE PER OPERATING UNIT	AVERAGE LAND VALUE PER ACRE	FARM NET INCOME (THOUSANDS)	AVERAGE INCOME PER FARM
2001	32,500	\$548,370	\$405	\$1,217,697	\$37,468
2000	32,500	514,520	380	^r 1,467,803	^r 45,163
1999	32,500	487,440	360	^r 1,334,957	^r 41,076
1998	32,500	471,192	348	^r 1,313,116	^r 40,404
1997	32,500	440,050	325	^r 1,140,430	^r 35,090
1996	32,500	419,740	310	1,520,079	46,772
*1995	33,000	402,566	302	715,339	21,677
1994	34,000	371,800	286	1,230,327	36,186
1993	34,500	349,713	273	1,001,449	29,028
1992	35,000	361,218	286	1,096,127	31,318

^r Revised

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

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

NOTES: Net farm income is defined as total cash receipts and other income, less total production expenses, plus the value of inventory change. Cash receipts come from marketing of livestock, products, and crops. Other income includes government payments, imputed income, and rent received. Net farm income from 1997 forward revised based on USDA release of July 2002.

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

GROSS CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS (MILLIONS)								
	2001	2000	1999	1998	1997	1996	1995	1994
CROPS	\$1,770	\$1,755	\$1,743	\$1,854	\$2,427	\$1,878	\$1,713	\$1,633
LIVESTOCK AND PRODUCTS	2,004	2,035	1,830	1,541	1,781	1,652	1,715	1,659
GOVERNMENT PAYMENTS	715	790	791	437	268	230	245	289
TOTAL	\$4,489	\$4,580	\$4,364	\$3,832	\$4,476	\$3,760	\$3,673	\$3,581

SOURCE: Economic Research Service, USDA release of July 2002. Compiled by the South Dakota State Data Center, USD Business Research Bureau.

2001 RANKING FOR CROP AND LIVESTOCK PRODUCTION

CROP	VOLUME	NATIONAL RANK
Corn for Grain	370.6 M Bu.	8 th
Oats	7.8 M Bu.	5 th
All Wheat	76.8 M Bu.	9 th
Winter Wheat	11.8 M Bu.	20 th
Durum Wheat	0.6 M Bu.	5 th
Other Spring Wheat	64.4 M Bu.	4 th
Barley	4.1 M Bu.	13 th
Rye	0.4 M Bu.	3 rd
Flax Seed	0.3 M Bu.	2 nd
Sorghum for Grain	8.9 M Bu.	9 th
Soybeans	138.6 M Bu.	8 th
Sunflower Seed	995.8 M Lb.	2 nd
All Hay	9.2 M Tons	2 nd
Alfalfa Hay	6.6 M Tons	2 nd
All Other Hay	2.6 M Tons	7 th

LIVESTOCK	AMOUNT	NATIONAL RANK
Cattle and Calves (1/1/02)	3,950 T Head	6 th
Hogs and Pigs (12/1/01)	1,280 T Head	11 th
Sheep and Lambs (1/1/02)	400 T Head	4 th

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

