

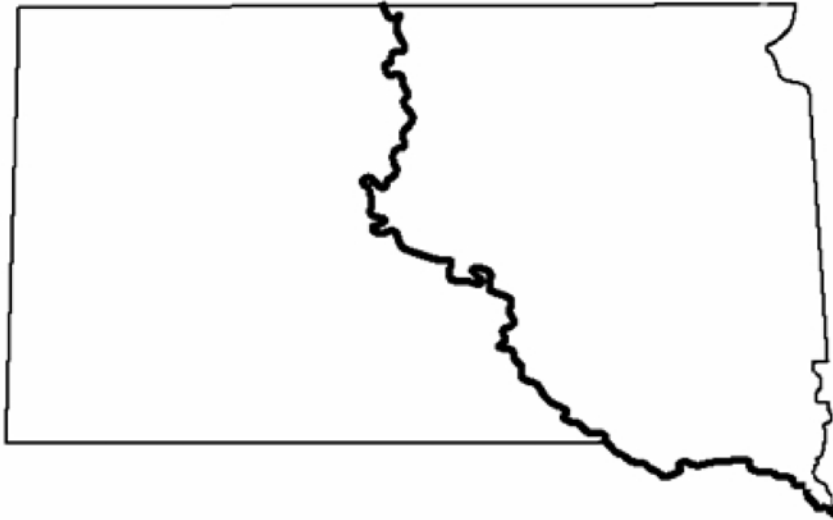
South Dakota

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2009



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

***COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED JUNE 30, 2009***



M. MICHAEL ROUNDS, GOVERNOR

DENNIS DAUGAARD, LT. GOVERNOR

***JASON C. DILGES, COMMISSIONER
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A sincere thanks to all who contributed their time and effort to this publication.

75 Copies printed by the Bureau of Finance and Management at \$6.45 each at Central Duplicating Services.



STATE OF SOUTH DAKOTA

M. MICHAEL ROUNDS, GOVERNOR

March 31, 2010

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

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2009. This is our 23rd *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies of state government and reporting entities for which the state has oversight responsibilities. Like previous reports, this report presents to you and the financial community the sound financial condition of South Dakota.

Even in these challenging economic times, South Dakota's economy continues to outperform the national economy in many areas. Recent data supports this, as the state's income growth rates in 2007 and 2008 were above the national average. In addition, the employment growth rate in South Dakota has exceeded the national growth rate from 2006 through 2009. Although the unemployment rate in South Dakota is higher due to the recent economic recession, it was one of the lowest in the nation through fiscal year 2009, and remains that way today.

This report focuses on my four financial priorities:

- We are dedicated to taking care of those who cannot take care of themselves, both the very young and the very old.
- We are committed to providing our children with a quality education because they are our future; and through the High School 2025 Initiative, we will provide a results-based education system that prepares students for jobs in a global environment.
- It is our responsibility to protect our society from those who would do us harm.
- The state has placed a focus on economic growth and visitor spending through the 2010 Initiative, a comprehensive plan with specific goals, objectives, and action steps.

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

Sincerely,

M. Michael Rounds





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INTRODUCTORY SECTION



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TO THE HONORABLE M. MICHAEL ROUNDS, GOVERNOR OF SOUTH DAKOTA

MEMBERS OF THE SOUTH DAKOTA LEGISLATURE

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (herein after referred to as the State) for the fiscal year ended June 30, 2009.

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

The CAFR is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section*, which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2009 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the "Basic Financial Statements"; the Basic Financial Statements that present the government-wide financial statements, fund financial statements, notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

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

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

State Reporting Entity. The State's reporting entity reflected in the CAFR, which is described more fully in Note 1 of the Notes to the Financial Statements, conforms to the requirements of GASB Statement No. 14, *The Financial Reporting Entity*. The accounting and reporting principles contained in Statement No. 14 are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Under GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the State and the State can access those resources. Consequently, the transmittal letter, MD&A, and the basic financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements, excluding Higher Education, should be read to obtain a complete overview of their financial position.

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

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

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

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

Total investment income for all funds invested by the Investment Council was a negative \$1.58 billion for fiscal year 2009. Income for the most recent five years totaled \$1.1 billion and, since inception, has exceeded \$7.6 billion. The Investment Council has grown from \$133.0 million in assets under management at the end of its first year to \$7.41 billion at June 30, 2009.

Investment Council management of the Cash Flow Fund portfolio resulted in earnings this year of \$57.6 million, a yield of 4.51%. The Cash Flow Portfolio has earned taxpayers \$925.2 million over the past 37 years.

The South Dakota Retirement System's assets have returned 10% for the past 36 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top first percentile against other state pension funds.

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

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 32 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2009, \$1.81 billion has been generated to fund many public programs and projects. Lottery provided \$120.6 million income (before transfers) during fiscal year 2009.

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

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

The unfunded actuarial accrued liability as a percent of covered payroll went from 19.6% in 2000 to 42.0% in 2009. The funding ratio decreased from 96.0% in 2000 to 91.8% in 2009. The funding ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation. In fiscal year 2009, SDRS experienced a negative 20.36% market return, significantly less than the assumed rate of return of 7.75%. This decline in value, combined with the market return of negative 8.65% in fiscal year 2008, has increased the unfunded liability as a percent of payroll dramatically. A corrective action plan designed to return the unfunded liability back to manageable levels was passed during the 2010 Legislative Session.

Plan assets at fair value in 2009 were \$5.6 billion compared to plan assets in 2000 of \$5.2 billion.

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Employment growth is an important indicator of the state's economic health. Although the recent economic recession has had a negative impact on employment, South Dakota continues to outperform the national economy in terms of nonfarm employment growth. South Dakota nonfarm employment growth was 2.2% in 2006, 2.0% in 2007, 1.2% in 2008, and -1.8% in 2009. U.S. nonfarm employment growth was 1.8% in 2006, 1.1% in 2007, -0.6% in 2008, and -4.3% in 2009. During the economic recession, the U.S. economy experienced more than twice the rate of job losses on an annual basis in 2009 compared to the South Dakota economy over the same time period.

In fiscal year 2009 (July 2008 – June 2009), nonfarm employment in South Dakota declined 0.3% compared to the national growth rate of -2.8% over the same time period. This was the eighth straight fiscal year that the South Dakota job market performed better than the United States. Sectors that experienced growth in fiscal year 2009 in South Dakota were education and health services, other services, and government. Sectors that were most impacted by the national recession during fiscal year 2009 include manufacturing; mining, logging, and construction; and, professional and business services and thus experienced negative growth in fiscal year 2009.

The unemployment rate in South Dakota continued to remain one of the lowest in the nation during fiscal year 2009 even while the economy was in recession during most of that time. In June of 2009, South Dakota's unemployment rate was 4.9%, while the U.S. unemployment rate was 9.5%.

Income growth is another important indicator of the state's economic health. In 2008, the most recent annual data that is available, South Dakota ranked 3rd in the nation in terms of its personal income growth and in its per capita personal income growth. South Dakota's personal income grew 7.1% from 2007-2008 which was higher than the national growth rate of 2.9% and was the second highest in the seven state Plains Region. The other Plains Region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced income growth rates of 5.4%, 4.8%, 3.8%, 4.3%, 4.1%, and 9.3%, respectively, over the same time period.

In addition to employment and income, one sector that has been a cornerstone for South Dakota's economy is agriculture. Both 2008 and 2009 were strong years for crop production in South Dakota which helped to stabilize the State's economy during the national economic recession. The value of all principal crops grown in South Dakota in 2009 totaled \$5.49 billion, just 4% lower than the \$5.73 billion value of 2008 crops. The decrease in value is due to decreases in the value of winter wheat, spring wheat and alfalfa hay produced in 2009. Although the value of crops declined slightly in 2009 compared to 2008, the \$5.49 billion value represents the second highest crop value over the past 13 years.

The long term outlook for South Dakota's economy is cautiously optimistic as the state recovers from an economic recession. As of January 2010, South Dakota nonfarm employment levels were 8,100 jobs or 2.0% lower when compared to January of 2009. In comparison, the U.S. economy lost 4.0 million jobs or a decline of 3.0% over the same time period. South Dakota's economy is expected to recover in 2010 and 2011 as the State

continues to boast the lowest state per capita taxes in the nation. This, coupled with a healthy farm economy, will help South Dakota's economy recover from the economic recession stronger than before.

In February of 2009, the Federal Government passed the American Recovery and Reinvestment Act. This Act increased federal funding and federal supported programs in the State, and as a result, improved the State's financial position. This act had a net affect of increasing the State of South Dakota's fiscal year 2009 federal fund appropriations by \$117.9 million and decreasing the General Fund appropriation by \$71.4 million. For fiscal year 2010, the State's federal fund appropriation was increased by \$385.4 million and the General Fund appropriations was decreased by \$88.1 million.

MAJOR INITIATIVES

Science and Lab Facilities Upgrade. Outdated science facilities and laboratories on public university campuses must be upgraded to support South Dakota's research initiative and to provide contemporary space for teaching. House Bill 1085 in the 2008 legislative session authorized \$74.5 million to be bonded through the South Dakota Building Authority for 25 years to finance these improvements. \$73.9 million of revenue bonds were issued on July 29, 2008. The proceeds are being used to build a new science building, a new paleontology building, an addition to an existing chemistry and bio engineering building and to complete renovations and upgrades of existing buildings at all six University campuses. All projects are expected to be completed in 2010.

Workforce 2025. In March 2008, Governor Rounds announced Workforce 2025, a group of innovative initiatives which focus on providing a competent and qualified workforce in South Dakota to allow for economic growth and expansion. The goal of this initiative is to respond to workforce challenges by engaging businesses, promoting education, and enhancing the state's workforce investment system.

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

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

2010 Initiative. On October 15 and 16, 2003, the 2010 Initiative was unveiled at the 2010 Summit at Mount Rushmore National Monument. The 2010 Initiative outlines a series of specific goals for economic growth and visitor spending in the State by the year 2010. There are five major goals for the 2010 Initiative: 1) double visitor spending from \$600 million to \$1.2 billion by 2010; 2) increase gross domestic product by state by \$10 billion by 2010; 3) become a recognized leader in research and technology development by 2010; 4) brand and develop the State's quality of life as the best in America by 2010; and 5) uphold our commitment to the 2010 Initiative as a work in progress.

The State has made great strides in accomplishing the goals set forth in the State's 2010 Initiative. Since the Initiative launched, visitor spending has grown an average of more than six and half percent a year while the rest of the nation has seen around three percent growth. In 2008, visitor spending in South Dakota reached \$967 million. The second goal is to increase the State's gross state product by \$10 billion; South Dakota met this goal in 2007 and continues to grow. In fact, from 2007 to 2008, South Dakota had the third highest growth rate in gross state product in the nation. Our 2008 gross state product was \$36.9 billion.

The State has also made great strides in accomplishing the third goal - to make South Dakota a leader in research and technology. The Deep Underground Science and Engineering Lab located at what was previously the Homestake Gold Mine in Lead has put South Dakota on the international map and on the forefront of sub-atomic particle research.

Our South Dakota university-based research is also receiving international attention. Working together, we've established eleven research centers at our state universities. The research occurring at our universities is impacting medical, technological and agricultural industries across the globe.

Funding of 2010 research programs began in fiscal year 2005 and will continue through fiscal year 2010 to help in accomplishing these goals.

2010 Research Centers. The 2004 Legislature appropriated \$3,715,861 in ongoing funding in response to the Governor's 2010 Research Initiative. Approximately \$2.7 million of the annual appropriation provided seed funding for four focused, nationally competitive research centers within the Regental system in collaboration with private sector partners. The Centers are focused on commercialization in addition to becoming self-sustaining through the acquisition of grant and other external funding. The additional funds were used to establish a Board of Regents System Research Office, a Department of Tourism and State Development Commercialization Office, and to provide a \$600,000 EPSCoR grant cost share. The research centers that were funded in FY2005 are:

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

In fiscal year 2006, the state legislature appropriated an additional \$500,000 to support creation of a fifth 2010 Research Center increasing annual appropriations to \$3.2 million. In 2007 the state legislature approved a one-time \$2.9 million appropriation to create a sixth 2010 Research Center. The Center for Excellence for Drought Tolerance Research Biotechnology is a true partnership involving the many seed and crop related entities, crop research and promotion boards, and individual biotechnology companies. The \$2.9 million in one time funding provided by the Legislature was leveraged with more than \$6 million in private sector funding to construct a Seed Research Center building on the Innovation Campus in Brookings and provide \$600,000 annually to support research at the Center of Excellence for Drought Tolerance Biotechnology. The center focuses on research on emerging technologies in drought tolerant crops and could potentially accelerate the availability of drought resistant products to the market by one to three years. A primary focus of the center is the identification of genes associated with drought, temperature, disease resistance, and crop quality. All of these traits are important for South Dakota's growing biofuel and feedstock industries.

The additional research centers established in fiscal year 2007 are:

- **Center for Bioprocessing Research and Development, South Dakota School of Mines and Technology Department of Chemical and Biological Engineering, and South Dakota State University Department of Biology/Microbiology** – This center is focused on development of innovative processes to convert biomass into ethanol and high value chemicals, which can replace petroleum-derived products.
- **Center of Excellence for Drought Tolerance Biotechnology, South Dakota State University in collaboration with the South Dakota seed industry** – The Center's goal is to develop the nation's premier research center on applied crop genomics with an emphasis on development of drought and heat tolerant seeds and plants.

In fiscal year 2008 the Research and Commercialization Council, which oversees the 2010 Research Centers, chose to discontinue funding of the Center for Accelerated Applications at the Nanoscale due to lack of progress toward becoming self sustaining. Funding allocated to the Center for Accelerated Applications at the Nanoscale in fiscal year 2009 was used to start a second group of competitively selected research centers. The other three 2010 Research Centers established in 2005 have become self sustaining and no longer receive state funding. The five new research centers selected to receive state funding by the Research and Commercialization Council include:

- **National Center for the Protection of the Financial Infrastructure, Dakota State University** – The Center builds upon Dakota State University's leadership in information security and South Dakota's financial services industry to advance the security and safety of the nation's financial infrastructure.
- **Center for Detecting Rare Physics Processes with Ultra-Low Background Experiments, University of South Dakota and Sanford Laboratory at Homestake** – The Center will enable researchers at South Dakota's public and private universities to contribute to the work being done at the Sanford Laboratory at Homestake and DUSEL. The center produces super-clean materials needed by researchers at Homestake and other uses.
- **Center for Biological Control and Analysis by Applied Photonics, South Dakota State University, Department of Chemistry** – The Center develops innovative materials, chemicals and processes for delivery of drugs and treatment of humans and animals.
- **Translational Cancer Research Center, South Dakota State University and Sanford Research Institute** – The Center is focused on development and efficiently moving biomedical discoveries from the laboratory to the bedside.
- **Repair, Refurbish, and Return to Service Applied Research Center, South Dakota School of Mines and Technology** – The Center involves industry partners from across the nation along with the Department of Defense working to develop, certify, and implement innovative methods to repair and refurbish military and civilian aircraft and other equipment.

The state investment in the four original 2010 Research Centers from fiscal year 2005-2009 was \$13.2 million. From their establishment in 2005 to December 2009 the original 2010 Research Centers generated \$78 million in external research funding and the private sector invested more than \$20 million into companies associated with the research centers. The economic impact of the three centers was \$132 million. From fiscal year 2005 to fiscal year 2010 the state has invested \$21.5 million into eleven research centers and those centers have generated more than \$106.8 million in external research funding and have had an economic impact of more than \$183.8 million.

Since fiscal year 2005 the state has also provided \$600,000 annually to match federal EPSCoR funding to support the development of South Dakota's research infrastructure. In fiscal year 2009 South Dakota received \$15.6 million in EPSCoR funding from six federal agencies. This includes the first year of a five-year \$20 million National Science Foundation EPSCoR project.

Sanford Underground Science and Engineering Laboratory (SUSEL/DUSEL). The National Science Foundation (NSF) announced in July 2005 the selection of the Homestake mine as one of two sites to receive \$500,000 for development of a conceptual design for the Deep Underground Science and Engineering Laboratory (DUSEL). During a 2005 special session, the Governor and Legislators agreed to fund an interim laboratory until the final decision was made by NSF. The development of this interim laboratory at the 4,850 foot level will make the Homestake site a more attractive candidate for eventual DUSEL funding. On June 30, 2006, Mr. T. Denny Sanford pledged a \$70 million gift to help develop the underground laboratory and a science education center. The NSF issued a solicitation in September 2006 for an enhanced 250-page Conceptual Design Report. The Homestake proposal was submitted on January 9, 2007, and was selected by NSF as the recommended site for the DUSEL. As a result of the NSF selection, the University of California at Berkeley received an additional \$15 million to develop a conceptual design for a DUSEL with campuses at 4,850 and 7,400 feet underground at Homestake. In January of 2009, the NSF held a progress review of the DUSEL project and recommended further funding to finish the preliminary design for review in late 2010. The NSF has since awarded DUSEL, through the University of California and with sub-awards to the South Dakota School of Mines and Technology, an additional \$29 million to complete Preliminary Design due in December of 2010. The NSF has also made awards of approximately \$25 million to science collaborations to start design on experiments to be conducted at DUSEL. The NSF has invested over \$80 million in total to date to design the DUSEL facility and experiments. If the review of the Preliminary Design is favorable in December of 2010, the proposed DUSEL will be submitted to the National Science Board in early 2011 and if approved by the NSB it will be submitted for full funding. The Department of Energy (DOE) is interested in creating large cavities at the 4,850 level to house large detectors to study neutrinos originating from Fermilab in Chicago, Illinois. The NSF and DOE are now working together on the DUSEL project. The South Dakota Science and Technology Authority, meanwhile, is continuing to work on the Sanford Underground Science and Engineering Laboratory at the 4,850 foot level. Surface work, including remodeling existing buildings, is under way. A mine re-entry plan was approved in 2007, and the first water was pumped out of the mine on March 14, 2008. Construction on the Sanford Laboratory at the 4,850 foot level was started in July of 2009 and will be ready for science research in late 2010. Biology, hydrology, geology and astrophysics are currently conducting experiments at various locations on different levels throughout the mine.

High School 2025. Launched in January 2009, the High School 2025 Initiative (HS2025) provides a framework to design a student-focused educational experience that will prepare students to accomplish their career goals and be successful in a global society.

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

- Relationships. In order to be successful, students need to feel safe, respected and cared about. They need to connect with others.
- Relevance. In order to be engaged and willing to learn, students need to understand the connection between their daily studies and the rest of their lives.
- Rigor. In order to be prepared for postsecondary education, students need to be challenged academically.
- Results. If schools provide a rigorous and relevant curriculum and connections with adults, educational outcomes should follow.

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

- **South Dakota Virtual School** offers a clearinghouse of distance learning high school courses.
- **South Dakota INCENTIVESplus** is a financial incentive system funded by the U.S. Department of Education that targets educators in high-need schools in mainly rural areas. It links performance and teacher pay and offers incentives to schools and individuals that are able to improve student performance.

- **Library Development** is a program in which the South Dakota State Library offers a "virtual library" through its online databases.
- **Technical Institutes.** South Dakota's four technical institutes strive to be leaders in educational excellence and innovation, enabling our workforce to capitalize on the emerging technologies of the 21st century and creating economic development solutions to help South Dakota compete in the global marketplace.
- **South Dakota Partnership for Teacher Quality** is a grant program funded by the U.S. Department of Education designed to increase student achievement in K-12 schools by developing highly qualified teachers.
- **Indian Education.** South Dakota experiences some achievement gaps between Native American students and non-Native American students in both the reading and math curricula areas. With funding help from the U.S. Department of Education, the State has implemented five specific programs designed to reduce those achievement gaps. These programs include
 - **GEAR UP South Dakota** - The goal of the GEAR UP South Dakota (GUSD) program is to increase the number of first generation, low-income Native American students who are prepared to enter and succeed in postsecondary education.
 - **I LEAD** - The purpose of the I LEAD project is to recruit, educate, certify and place American Indian educators into administrative positions in schools with high populations of Native American students.
 - **South Dakota College Access Challenge Grant** - The South Dakota College Access Challenge Grant program strives to increase students' and parents' knowledge of postsecondary education options, preparation, and financing and increase the number of students who enroll in postsecondary education within one year of high school graduation.
 - **Core Concepts Planning Grant** - The goal of the Core Concepts Planning Grant project is to define the core concepts essential to understanding and teaching the Lakota culture and history. These core concepts will then be used to modify existing and establish new state content standards.
 - **Indian Demonstration Grant – Wakan Gli** - The program's goal is to improve the educational opportunities and achievement of Native American students in high school, and prepare these students to enter and succeed in postsecondary education.

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

Between fiscal year 2004 and appropriated fiscal year 2010, the state, with the aid of the American Recovery and Reinvestment Act of 2009, has increased funding to K-12 education by \$195.55 or 4.2% per student above what would have been received if only the inflation rate were applied to the per student allocation. These increases added to the statutorily required inflationary increases have resulted in an overall increase of \$915.41 or 23.5% per student during this time period.

In addition, the passage of Senate Bill 157 of the 2007 legislative session updated the student count used in the state aid formula from an average daily membership count to a fall enrollment count. Since enrollment is generally higher at the beginning of the school year than the average for the entire school year, this was advantageous to nearly all school districts. In addition, school districts with eligible increasing enrollments will now receive additional funding on a one-time basis for the additional students. Also, school districts with decreasing enrollments will be allowed to use a two-year average of students in determining the amount of state aid they are eligible for and the method for calculating the small school adjustment was updated. These changes amount to more than \$6.8 million in on-going state aid flowing to the school districts.

ACKNOWLEDGMENTS

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

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'JCDilges', with a long horizontal flourish extending to the right.

Jason C. Dilges, Commissioner
Bureau of Finance and Management



SOUTH DAKOTA FY2009 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 Jarrod Johnson, Commissioner, School and Public Lands**

PUBLIC UTILITIES COMMISSION

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

LEGISLATIVE BRANCH

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

**The Honorable Dave Knudson
Senate Majority Leader**

**The Honorable Scott Heidepriem
Senate Minority Leader**

**The Honorable Bob Faehn
House Majority Leader**

**The Honorable Bernie Hunhoff
House Minority Leader**

JUDICIAL BRANCH

**The Honorable David Gilbertson
Chief Justice**

**The Honorable Glen Severson
Associate Justice**

**The Honorable John Konenkamp
Associate Justice**

**The Honorable Steven Zinter
Associate Justice**

**The Honorable Judith Meierhenry
Associate Justice**

SOUTH DAKOTA

FY2009 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

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

HEALTH, HUMAN AND SOCIAL SERVICES

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

LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

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

AGRICULTURE AND NATURAL RESOURCES

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

TRANSPORTATION

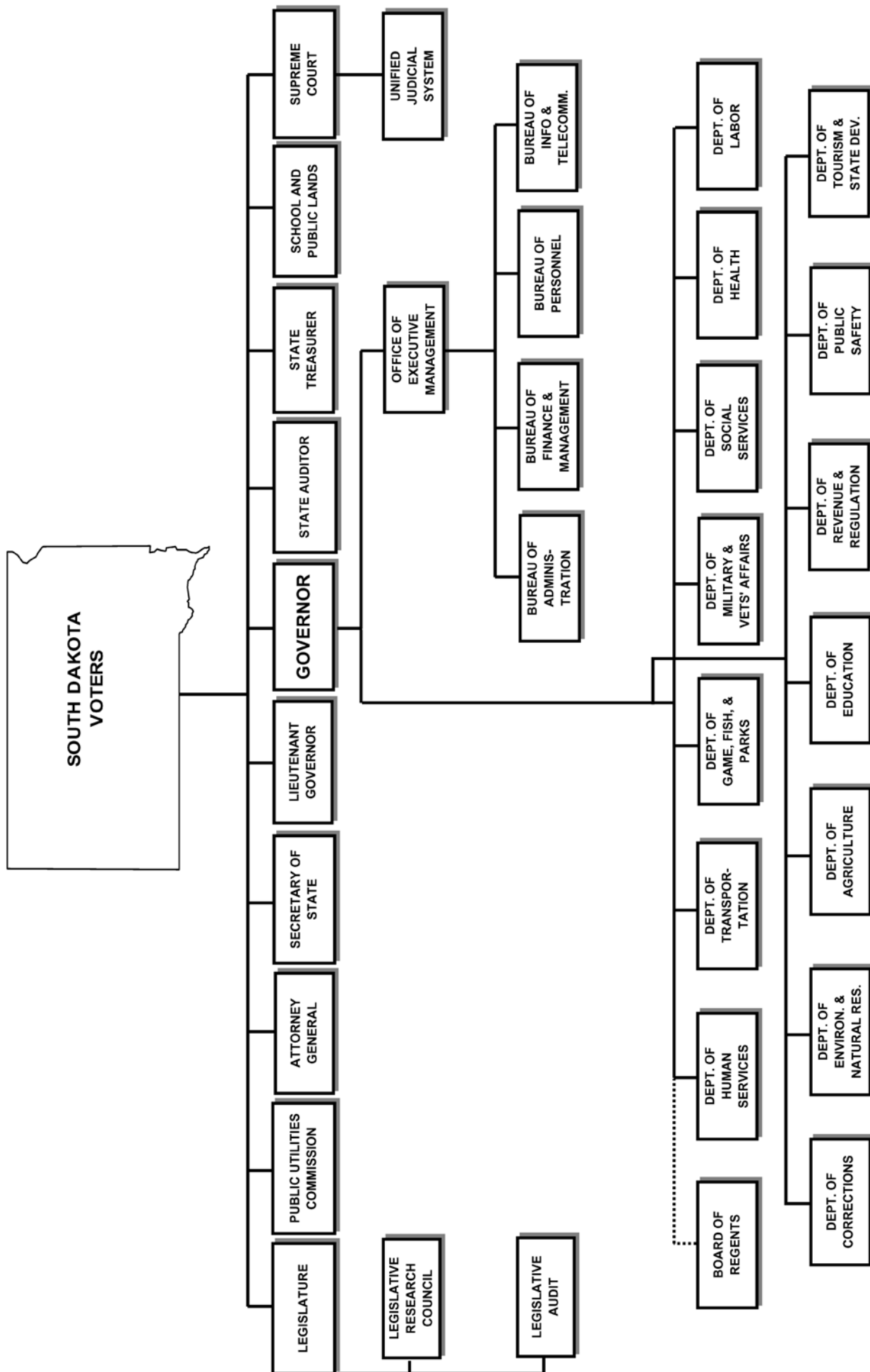
TRANSPORTATION

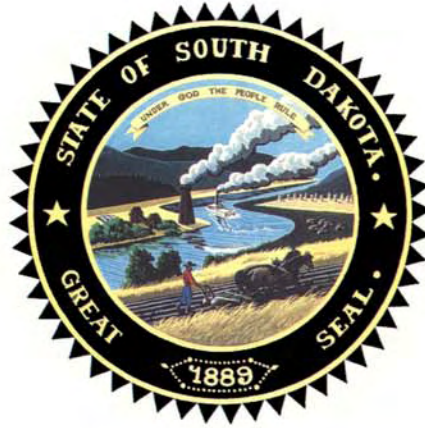
EDUCATION

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

ECONOMIC RESOURCES

TOURISM AND STATE DEVELOPMENT





FINANCIAL SECTION



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PIERRE SD 57501-5070
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Authority and certain foundations of Higher Education. Those financial statements reflect total assets and revenue and additions of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as follows:

	<u>Percent of Total Assets</u>	<u>Percent of Total Revenues/Additions</u>
Government-wide financial statements:		
Business-type activities:		
Unemployment Insurance Fund	2.3%	17.0%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Authority	63.6%	17.2%
Foundations of Higher Education	9.5%	9.0%
Aggregate remaining fund information:		
Unemployment Insurance Fund	.2%	1.0%
South Dakota Retirement System	82.9%	47.9%

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota, as of June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, reports on the State's internal control structure and on its compliance with laws and regulations will be issued in our single audit report. These reports are 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.

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

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

A handwritten signature in black ink, reading "Martin L. Guindon". The signature is fluid and cursive, with the first name "Martin" and last name "Guindon" clearly distinguishable.

Martin L. Guindon, CPA
Auditor General

March 31, 2010

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, 2009. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- Total assets of the State exceeded its total liabilities at the close of the fiscal year by \$4.5 billion (reported as net assets), a decrease of \$88.7 million from the previous year. Certain resources within the total net assets balance have restrictions and internally imposed limitations that are discussed within the *Government-Wide Financial Analysis* section of this document. Component units reported net assets of \$1.24 billion, an increase of \$44.5 million from the previous year.

Fund Level

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.3 billion, with \$0.4 billion reported as unreserved fund balance and the remaining amount of \$0.9 billion reserved for specific purposes (such as encumbrances, inventories, debt service, school perpetuity, noncurrent assets, Transportation Infrastructure Bank Projects, and funds held as permanent investments). Certain resources within the \$0.4 billion unreserved fund balance have internally imposed limitations that are discussed throughout the *Financial Analysis of the State's Funds* section of this document. At the end of the fiscal year, the unreserved fund balance for the General Fund was \$131.4 million. \$43.4 million of the unreserved fund balance was designated as budget reserve only to be used to address emergency situations, without having to raise taxes or cut spending, which are commonly referred to by management as the budget reserve. \$2.2 million was designated for the land purchase of a minimum security prison. The remaining balance is reported as unreserved undesignated fund balance (\$85.8 million). Although this amount is unreserved undesignated, it should be noted certain resources within this balance have additional limitations imposed upon it. Internally imposed limitations include, but may not be limited to the following:
 - \$19.0 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities and/or commitments.
 - \$13.2 million was previously approved and appropriated via past legislative actions to fund Specials and/or Maintenance and Repairs Legislative Acts that will require usage of current state resources.
 - \$38.6 million represents tax revenue that was received in FY09, recognized in the General Fund in FY09, but not distributed to the General Fund until FY10 for purposes of meeting the State's ongoing obligations to the citizens and creditors for the next fiscal year.
- Proprietary funds reported net assets at year-end of \$438.1 million, an increase of \$0.5 million during the year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2009, totaled \$465.7 million, a decrease of \$30.3 million from the last fiscal year-end. The decrease represents the net difference between new issuances, payments and refundings of outstanding debt.

- During the fiscal year, the South Dakota Building Authority issued \$2.2 million in Revenue Bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business Type Activities. The South Dakota Building Authority also issued \$73.9 million in Revenue Bonds for Higher Education (a discretely presented component unit).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- **Discretely Presented Component Units.** Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading, or incomplete. The following entities are included in the component unit columns of the State's government-wide financial statements:

- ✓ Higher Education
- ✓ Conservation Reserve Enhancement Program (CREP)
- ✓ South Dakota Housing Development Authority
- ✓ South Dakota Economic Development Finance Authority
- ✓ Value Added Finance Authority
- ✓ Science and Technology Authority

Other component units are blended and reported as part of primary government or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer the Notes to the Financial Statements.

Fund Financial Statements

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

- **Governmental Funds.** Most of the State's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital projects, debt service, and permanent funds.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund's financial statement.

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the fiscal year ending June 30, 2009. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2009, were \$5.4 billion, while total liabilities were \$0.9 billion, resulting in combined net assets (governmental and business-type activities) of \$4.5 billion.

State of South Dakota Net Assets (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 1,624,252	\$ 1,867,795	\$ 546,945	\$ 559,711	\$ 2,171,197	\$ 2,427,506
Capital Assets	3,179,405	3,134,330	2,299	2,565	3,181,704	3,136,895
Total Assets	<u>4,803,657</u>	<u>5,002,125</u>	<u>549,244</u>	<u>562,276</u>	<u>5,352,901</u>	<u>5,564,401</u>
Long-Term Liabilities Outstanding	428,433	434,369	132,281	136,625	560,714	570,994
Other Liabilities	309,109	414,707	9,344	16,219	318,453	430,926
Total Liabilities	<u>737,542</u>	<u>849,076</u>	<u>141,625</u>	<u>152,844</u>	<u>879,167</u>	<u>1,001,920</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,101,101	3,053,427	2,299	2,565	3,103,400	3,055,992
Restricted	897,491	1,032,035	302,713	284,272	1,200,204	1,316,307
Unrestricted	67,523	67,587	102,607	122,595	170,130	190,183
Total Net Assets	<u>\$ 4,066,115</u>	<u>\$ 4,153,049</u>	<u>\$ 407,619</u>	<u>\$ 409,432</u>	<u>\$ 4,473,734</u>	<u>\$ 4,562,481</u>

The largest component of the State's net assets, 69.4%, 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 26.8% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation on how they can be used. The majority of the restricted net assets are restricted for funds held as permanent investments, either as expendable (\$0.6 million) or nonexpendable (\$602.8 million). These include the following funds:

- **Dakota Cement Trust Fund.** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen." The fund balance in the Dakota Cement Trust Fund at June 30, 2009 was \$195.0 million, a decrease of \$55.9 million from the previous year. The decrease resulted primarily from a \$41.6 million net unrealized depreciation on investments due to market value decline of those investments during the fiscal year.

- **Health Care Trust Fund.** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature." The fund balance in the Health Care Trust Fund at June 30, 2009 was \$82.3 million, a decrease of \$15.3 million from the previous year. The decrease resulted from \$15.0 million net unrealized depreciation on investments due to market value decline of those investments during the fiscal year. On an accrual basis, there were no transfers out to the General Fund in FY09.
- **Education Enhancement Trust Fund.** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature." The fund balance in the Education Enhancement Trust Fund at June 30, 2009 was \$302.5 million, a decrease of \$65.9 million from the previous year. The decrease resulted from a \$64.4 million net unrealized depreciation on investments due to market value decline of those investments during the fiscal year. On an accrual basis, there were no transfers out to the General Fund in FY09.

The remaining balance, \$170.1 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 limitations imposed internally by state law. Internally imposed limitations include, but may not be limited to, the following:

- **General Fund Budget Reserve.** The 1991 South Dakota Legislature established a General Fund Budget Reserve whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2009 was \$43.4 million, which has remained unchanged from the previous year.
- **Property Tax Reduction Fund.** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. Senate Bill 225, passed during the 1996 legislative session, provides that the Commissioner of Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature, (3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; and (4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2009 was \$68.4 million, a decrease of \$0.3 million from the previous year.

Changes in Net Assets. The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net assets changed during fiscal year 2009.

(Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Service	\$ 307,493	\$ 301,850	\$222,165	\$ 223,801	\$529,658	\$ 525,651
Operating Grants and Contributions	1,447,753	1,246,925	26,272	21,879	1,474,025	1,268,804
Capital Grants and Contributions	2,519	25,395			2,519	25,395
General Revenues:						
Sales Taxes	675,652	668,123			675,652	668,123
Motor Fuel Taxes	124,442	125,005			124,442	125,005
Contractors Excise Taxes	71,533	79,137			71,533	79,137
Bank Card and Franchise Taxes	55,260	62,036			55,260	62,036
Other Taxes	261,176	264,944			261,176	264,944
Investment Earnings	(91,586)	(18,946)			(91,586)	(18,946)
Gain on Sale of Capital Assets	919	1,135			919	1,135
Miscellaneous	52,288	41,805			52,288	41,805
Total Revenue	2,907,449	2,797,409	248,437	245,680	3,155,886	3,043,089
Program Expenses:						
General Government	170,900	175,272			170,900	175,272
Education – Elementary, Secondary and Vocational Schools	195,534	200,226			195,534	200,226
Education – State Support to Higher Education	196,007	170,348			196,007	170,348
Health, Human and Social Services	1,200,436	1,127,618			1,200,436	1,127,618
Law, Justice, Public Protection And Regulation	243,805	233,676			243,805	233,676
Agriculture and Natural Resources	118,686	114,783			118,686	114,783
Economic Resources	45,006	47,226			45,006	47,226
Transportation	408,482	316,113			408,482	316,113
Intergovernmental – Payments to School Districts	400,162	376,843			400,162	376,843
Intergovernmental – Revenue Sharing	99,064	103,633			99,064	103,633
Unallocated Interest Expense	21,514	22,805			21,514	22,805
Unallocated Depreciation	58	58			58	58
Lottery			32,767	33,419	32,767	33,419
Clean Water State Revolving			4,777	4,486	4,777	4,486
Drinking Water State Revolving			3,253	2,855	3,253	2,855
Other			89,451	54,688	89,451	54,688
Total Expenses	3,099,654	2,888,601	130,248	95,448	3,229,902	2,984,049
Excess (Deficiency) Before Transfers	(192,205)	(91,192)	118,189	150,232	(74,016)	59,040
Transfers	120,002	122,251	(120,002)	(122,251)		
Change in Net Assets	(72,203)	31,059	(1,813)	27,981	(74,016)	59,040
Net Assets – Beginning (*As Restated)	*4,138,318	*4,121,990	409,432	381,451	*4,547,750	*4,503,441
Net Assets – Ending	\$4,066,115	\$4,153,049	\$407,619	\$409,432	\$4,473,734	\$4,562,481

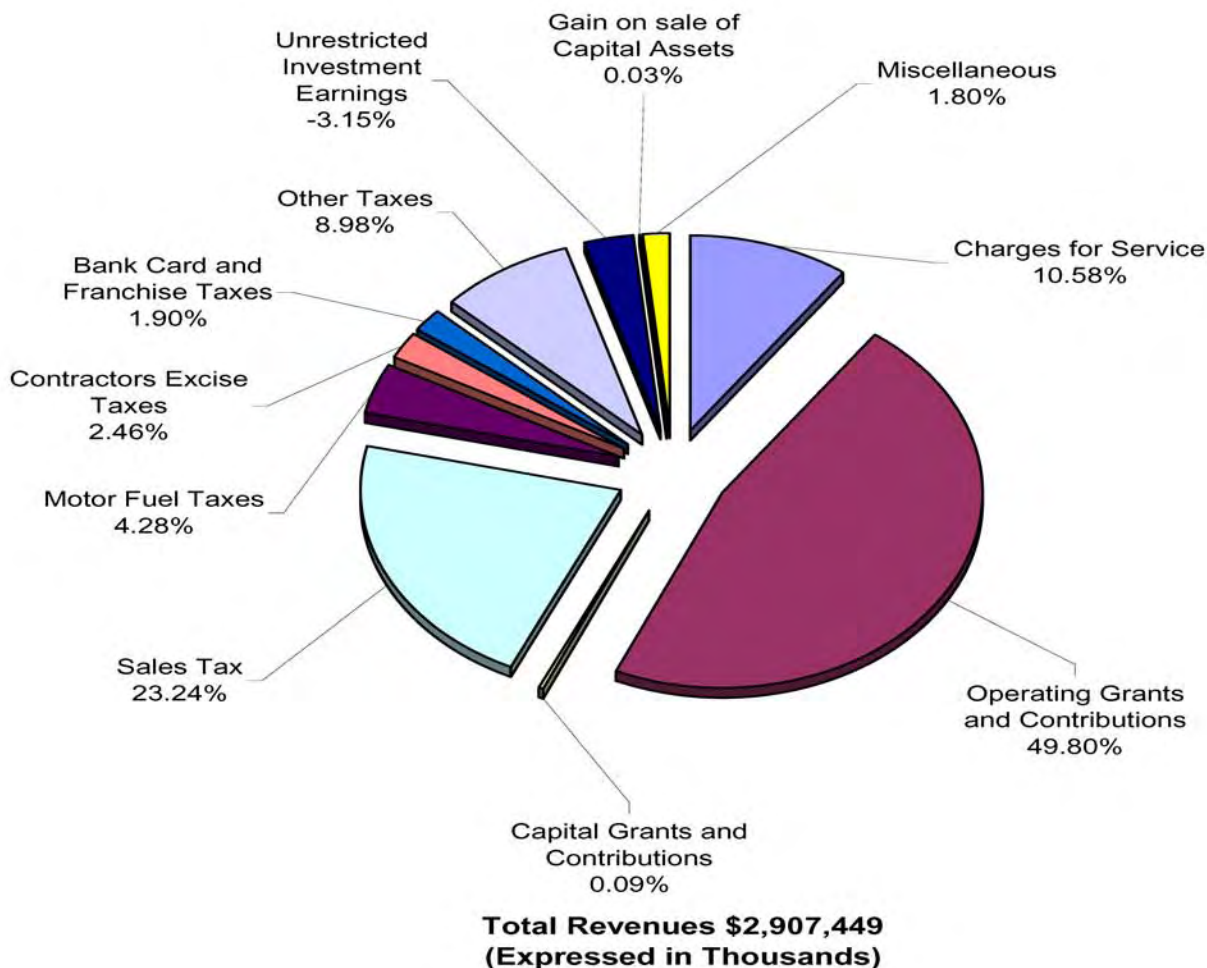
Governmental Activities:

Governmental activities decreased the State's net assets by \$72.2 million or 1.7% from its current operations. This was the result of the net effect of the following: (1) \$2.9 billion revenues (an increase from the prior year of \$110.0 million); less (2) \$3.1 billion expenses (an increase over the prior year of \$211.1 million); and, plus (3) net transfers of \$120.0 million primarily from "transfers in" from the South Dakota Lottery in the amount of \$119.9 million.

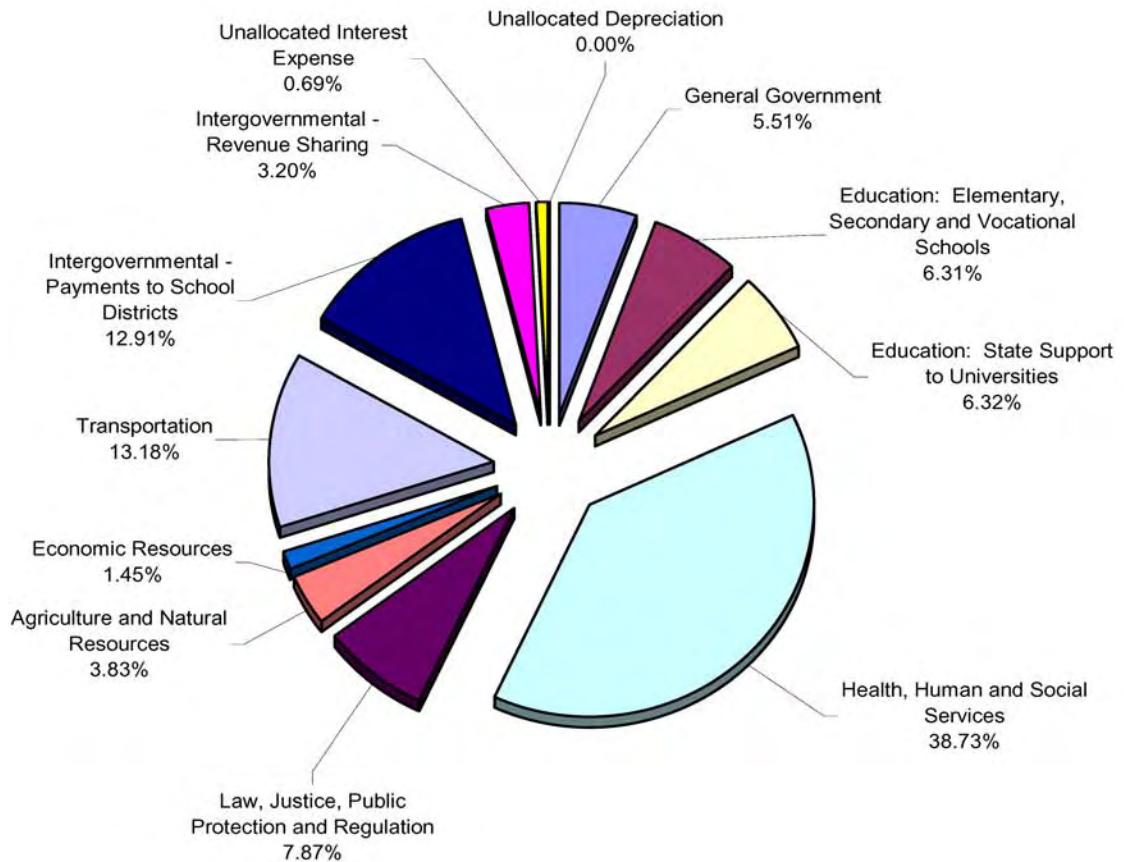
- The increase in revenues was primarily due to a \$200.8 million increase in operating grants and contributions of which \$105.9 million was ARRA related. However the State also experienced a \$91.6 million loss in investment earnings in the governmental activities during the year.
- The increase in expenses was primarily due to a \$92.4 million and \$72.8 million increases in Transportation and Health, Human and Social Services functions of government, and a \$23.3 million increase in payments to school districts.

The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2009:

State of South Dakota Revenues - Governmental Activities Fiscal Year Ended June 30, 2009



**State of South Dakota
Expenses - Governmental Activities
Fiscal Year Ended June 30, 2009**



**Total Expenses \$3,099,654
(Expressed in Thousands)**

Business-type Activities:

- Net assets of the business-type activities decreased by \$1.8 million or 0.4% (less than one half of one percent) from its operations during the fiscal year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.3 billion, a decrease of \$140.5 million during the year.

Approximately 71.0%, or \$893.9 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed (1) to be held as permanent investments (\$653.0 million), (2) to pay debt service (\$72.5 million), (3) to liquidate contracts and purchase orders for the prior fiscal year (\$57.6 million), (4) for noncurrent assets (\$48.8 million), (5) to be held in a permanent trust fund with earnings distributed to the primary government and universities (\$23.6 million), (6) for inventories (\$19.2 million) or (7) for State Transportation Infrastructure Bank Projects (\$19.2 million).

Approximately 3.5%, or \$43.4 million of the combined ending fund balances, is designated as a General Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to address emergency situations without having to raise taxes or cut spending. An additional \$2.2 million was designated for a combined minimum security and parole facility as authorized by 2009 House Bill 1271.

The remaining 25.5%, or \$320.4 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, \$232.2 million of this balance resides in special revenue funds that are intended for specific purposes that may have Federal and/or State statutory imposed limitations that limit the use of those resources for the intended specific purposes.

The following governmental funds are major funds and had significant changes to fund balances during fiscal year 2009:

- **General Fund.** The General Fund is the chief operating fund of the State. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$131.4 million, of which \$43.4 million was designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve) and \$2.2 million was designated for the land purchase for a combined minimum security and parole facility. The total fund balance at the end of the current fiscal year was \$152.6 million. As a measure of General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance (including the unreserved designated amount) represents 11.4% of the total General Fund operating expenditures, while the total fund balance represents 13.2% of that same amount.

Although the State's General Fund revenues were essentially unchanged from the previous fiscal year, and expenditures decreased by \$24.7 million, overall, the fund balance decreased by \$17.4 million during the current fiscal year. This is a 10.2% decrease from the prior year due almost entirely to a \$45.8 million decrease of transfers into the General Fund from other sources from the prior year.

- **Transportation.** The total fund balance at the end of the current fiscal year for the Transportation fund was \$91.9 million, an increase of \$17.0 million from the prior fiscal year. The increase resulted primarily from internal spending cuts in capital outlay and other operating costs. In addition, priority was given to the economic stimulus projects, which caused a temporary delay in other construction projects that will require the future use of State funds.
- **Dakota Cement Trust.** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was \$195.0 million, a decrease of \$55.9 million from the prior fiscal year. The decrease resulted primarily from net unrealized depreciation on investments due to market value decline of those investments during the fiscal year.
- **Education Enhancement Trust.** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$302.5 million, a decrease of \$65.9 million from the prior fiscal year. The decrease resulted primarily from net unrealized depreciation on investments due to market value decline of those investments during the fiscal year.

Proprietary Funds

The State's proprietary funds are presented on the full accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant changes to net assets during fiscal year 2009:

- **Lottery Fund.** At the end of the current fiscal year, the Lottery Fund reported total net assets of \$6.9 million, an increase of \$0.7 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$120.6 million on total revenue of \$152.5 million, compared to the previous fiscal year's income (before transfers) of \$123.7 million on total revenue of \$156.1 million. The decrease in revenues was the result of decreased sales for instant ticket sales and decreased video lottery revenue. During fiscal year 2009, the State Lottery distributed approximately \$109.0 million to the Property Tax Reduction Fund, \$6.2 million to the General Fund, \$4.5 million to the Capital Construction Fund, and \$0.2 million to the Department of Human Services.
- **Clean Water State Revolving Fund.** The Clean Water State Revolving Fund program provides low interest loans to governmental entities for wastewater, storm sewer, and nonpoint source pollution projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of \$156.7 million, an increase of \$7.0 million in comparison with the prior fiscal year. The increase resulted primarily from (1) the receipt of \$4.2 million capitalization grant monies received from the federal government and (2) \$2.8 million of revenue from investments, interest, and other sources in excess of operating expenses.
- **Drinking Water State Revolving Fund.** The Drinking Water State Revolving Fund program provides low interest loans for drinking water projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net assets of \$115.9 million, an increase of \$7.3 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of \$5.1 million of capitalization grant monies received from the federal government and (2) \$2.2 million of revenue from investments, interest, and other sources in excess of operating expenses.

Budgetary Highlights

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

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

General Fund. The difference between the original and the final amended budget was a \$66.4 million decrease in appropriations. That decrease can be attributed to two separate appropriation areas comprised of emergency specials and general bill adjustments.

The General Fund had \$3.7 million worth of emergency special appropriations during fiscal year 2009 that consisted of the following:

- \$1.2 million appropriation to the Department of Education to reimburse certain school districts for consolidation incentives.
- \$1.9 million appropriation to the Department of Public Safety for costs related to disasters in the State of South Dakota.
- \$0.6 million appropriation to the Department of Agriculture for costs related to the suppression of wildfires.

In February of 2009, the Federal Government passed the American Recovery and Reinvestment Act (ARRA). This act had a net effect of increasing the State of South Dakota's fiscal year 2009 federal fund appropriations by \$117.9 million and decreasing the General Fund appropriations by \$71.4 million. In order to account for the ARRA funds and all non-stimulus related appropriation fluctuations, the General Fund had general bill adjustments that decreased the original budget by \$70.1 million during the fiscal year which consisted of the following:

- \$24.7 million decrease in appropriations to the Department of Social Services for programs in both Children's Services and Medical and Adult Services.
- \$22.1 million decrease in appropriations to the Department of Education for programs in Educational Resources, State Aid to General Education, and Postsecondary Vocational Education.
- \$9.1 million decrease in appropriations to the Board of Regents for programs at the University of South Dakota, South Dakota State University, South Dakota School of Mines and Technology, Northern State University, Black Hills State University, and Dakota State University.
- \$7.8 million decrease in appropriations to the Department of Corrections for programs in Administration and Juvenile Community Corrections.
- \$6.4 million decrease in appropriations to the Department of Human Services for programs in Developmental Disabilities, the SD Developmental Center, Alcohol and Drug Abuse, Rehabilitation Services, the Human Services Center, and Community Mental Health.

The net effect of the emergency special appropriations and the general bill adjustments resulted in a \$66.4 million dollar decrease in General Fund appropriations. Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending was \$2.2 million below final budgeted estimates. As previously stated above, it is important to note, that the General Fund decrease in budget appropriations during fiscal year 2009 was a special circumstance and unusual in nature. The programs which experienced General Fund general bill adjustment decreases, also received federal fund increases with the help of ARRA stimulus dollars in order to continue operations.

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, 2009, is \$3.2 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 100,406	\$ 100,509	\$ 295	\$ 295	\$ 100,701	\$ 100,804
Land Improvements	22,297	18,243	924	924	23,221	19,167
Land Improvements - Roads	589,010	586,343	0	0	589,010	586,343
Buildings	361,056	355,164	4,008	4,008	365,064	359,172
Equipment	188,382	184,099	2,306	3,267	190,688	187,366
Vehicles	120,593	116,171	0	0	120,593	116,171
Infrastructure	3,136,828	3,075,133	0	0	3,136,828	3,075,133
Construction in Progress	212,672	192,149	0	0	212,672	192,149
Total Capital Assets	4,731,244	4,627,811	7,533	8,494	4,738,777	4,636,305
Accumulated Depreciation	(1,551,839)	(1,493,481)	(5,234)	(5,929)	(1,557,073)	(1,499,410)
Total Capital Assets, Net	\$3,179,405	\$3,134,330	\$ 2,299	\$ 2,565	\$3,181,704	\$3,136,895

The most significant capital asset the State reported in fiscal year 2009 was infrastructure assets and related land, land improvements, and construction in progress. Infrastructure assets are long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for \$2.7 billion (net of accumulated depreciation), which is 83.6% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2008 to 2009 by approximately 1.5%. 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 \$98.7 million and decreased (projects completed and capitalized) by \$108.4 million. Land and land improvements increased by \$4.0 million which consisted largely of land purchased by the Department of Game, Fish and Parks (\$2.8 million) and by the Department of Environment and Natural Resources (\$0.8 million). Building and building improvements increased by \$7.0 million. This was largely due to the completion of building improvements for the Brookings Armory (\$1.4 million), the completion of the Brookings Maintenance Shop (\$2.1 million), the completion of the Sturgis Maintenance Shop (\$1.3 million) and the completion of the Becker-Hansen Building 2nd Floor Renovations (\$1.5 million). Equipment assets increased by \$3.3 million. This was largely due to the purchase of new equipment and replacing of aged equipment by the Department of Transportation (\$1.0 million, net of disposals), the Department of Environment and Natural Resources (\$0.7 million, net of disposals) and by Department of Human Services (\$0.5 million, net of disposals) and the purchase of computer software by the Department of Corrections (\$0.5 million). Vehicles which include trucks, cars, pickups and other vehicles, increased by \$4.4 million largely due to replacing aged vehicles by the Department of Transportation (\$3.4 million, net of disposals) and the Bureau of Administration (\$1.7 million, net of disposals) and also by the net decreases for the Department of Public Safety (\$0.4 million) and the Department of Agriculture (\$0.5 million). Construction in progress, not including construction in progress for

highways, bridges, and railroads, increased by \$30.2 million. This was largely due to new and ongoing projects by the Department of Military and Veterans Affairs (\$2.3 million, net of projects completed and capitalized), the Department of Game, Fish and Parks (\$4.7 million), the Bureau of Administration (\$3.5 million, net of projects completed and capitalized), the Department of Social Services (\$25.4 million, net of projects completed and capitalized) and the net decrease by the Department of Transportation (\$5.7 million).

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

Debt Administration

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

The South Dakota Building Authority was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other State departments and institutions. The South Dakota Building Authority is a blended component unit of the State. The uninsured rating as of June 30, 2009, was AA- from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of State departments and institutions are reported as part of governmental activities in the State's basic financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information. The South Dakota Building Authority issued \$2.2 million in revenue bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business Type Activities. The South Dakota Building Authority also issued \$73.9 million in revenue bonds for Higher Education (a discretely presented component unit).

The Educational Enhancement Funding Corporation (EEFC) is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and, accordingly, is included in the State's financial statements. At June 30, 2009, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. During the year, EEFC incurred no new long-term general indebtedness.

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; development and implementation of plans under the Estuary Protection Program; and construction and maintenance of drinking water facilities respectively. At June 30, 2009, the South Dakota Conservancy District had maintained its long-term rating of Aaa from Moody's and AAA from Standard & Poor's on all outstanding State Revolving Fund Program Bonds. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State; or a pledge of the faith and credit of the State.

The bonds are paid solely from CWSRF and DWSRF loan repayments. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements. During the current fiscal year, the South Dakota Conservancy District did not issue any bonds.

At June 30, 2009, primary government had total notes and bonded debt outstanding as follows:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenue Bonds:						
South Dakota Building Authority	\$ 61,271	\$ 67,765	\$	\$	\$ 61,225	\$ 67,765
Educational Enhancement Funding Corporation	219,230	234,898			219,230	234,898
South Dakota Conservancy District			131,097	135,525	131,097	135,525
Trust Certificates:						
South Dakota Building Authority	24,435	26,870			24,435	26,870
Capital Leases	29,632	30,971			34,269	30,971
Total	\$ 334,568	\$ 360,504	\$ 131,097	\$135,525	\$ 470,056	\$ 496,029

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

ECONOMIC CONDITIONS AND OUTLOOK

After growing 1.7%, or 7,000 additional jobs in fiscal year 2008, nonfarm employment in South Dakota declined during fiscal year 2009 as the national economic recession pulled South Dakota's economy into recession. In fiscal year 2009, nonfarm employment in the State declined 0.3%, or 1,250 jobs. Although job losses were realized during the fiscal year, the growth was stronger than the national growth rate for the eighth fiscal year in a row. The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2009. South Dakota's unemployment rate was 4.9% in June 2009, while the U.S. unemployment rate was 9.5% the same month. In calendar year 2008, the most recent annual data that is available, South Dakota's income growth ranked third in the nation in terms of its personal income growth and in terms of its per capita personal income growth.

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

REQUESTS FOR INFORMATION

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

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



BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements – Statement of Net Assets

Government-Wide Financial Statements – Statement of Activities

Balance Sheet – Governmental Funds

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

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

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

Statement of Net Assets – Proprietary Funds

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

Statement of Cash Flows – Proprietary Funds

Statement of Fiduciary Net Assets – Fiduciary Funds

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Notes to the Financial Statements

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2009
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 574,840	\$ 118,717	\$ 693,557
Receivables (Net)	357,660	353,100	710,760
Due From Component Units	1,392	25	1,417
Due From Primary Government			0
Internal Balances	7,499	(7,499)	0
Investments	630,524	77,367	707,891
Inventory	20,814	1,792	22,606
Deferred Fiscal Charges and Other Assets	8,101	1,315	9,416
Restricted Assets:			
Cash and Cash Equivalents	1	541	542
Investments	23,421	794	24,215
Other		793	793
Capital Assets:			
Land and Other Non-depreciable Assets	695,695	295	695,990
Infrastructure (net)	1,907,986		1,907,986
Property, Plant and Equipment (net)	363,052	2,004	365,056
Construction in Progress	212,672		212,672
Total Assets	4,803,657	549,244	5,352,901
Liabilities			
Accounts Payable and Other Liabilities	255,565	5,411	260,976
Due To Primary Government			0
Due To Component Units	1,528		1,528
Accrued Interest Payable	9,112	1,894	11,006
Deferred Revenue	42,904	2,039	44,943
Noncurrent Liabilities:			
Due Within One Year	49,125	5,218	54,343
Due In More Than One Year	379,308	127,063	506,371
Total Liabilities	737,542	141,625	879,167
Net Assets			
Invested In Capital Assets, Net of Related Debt	3,101,101	2,299	3,103,400
Restricted For:			
Highways	82,762		82,762
Agriculture and Natural Resources	81,786		81,786
Health and Public Assistance	3,104	4,089	7,193
Economic Development	25,124		25,124
Debt Service	62,627	1,335	63,962
Capital Projects	2,483		2,483
Unemployment Compensation		10,415	10,415
Environmental Projects		271,264	271,264
Energy Conservation Programs	10,692		10,692
Revolving Loan Programs		8,255	8,255
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds held as Permanent Investments			
Expendable	625		625
Nonexpendable	602,767		602,767
Interim Lab			
Other Purposes	25,521	7,355	32,876
Unrestricted	67,523	102,607	170,130
Net Assets	\$ 4,066,115	\$ 407,619	\$ 4,473,734

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

Component Units			
Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 222,058	\$ 48,534	\$ 295,007	\$ 2,622
1,507,181	535	64,937	25,833
		1,528	
691,886		73,773	3,534
2,222	1,389	8,044	
14,226	724	3,592	64
		10,668	589
		172,669	6,673
		72,021	
220	12,353	24,768	
6,218	30,109	386,693	
	1,868	149,575	
2,444,011	95,512	1,263,275	39,315
27,261	2,320	40,790	1,689
23		1,394	
13,862		2,719	341
		5,853	25
103,755	106	41,186	1,397
1,895,047	106	441,890	25,761
2,039,948	2,532	533,832	29,213
1,042	44,330	335,113	
403,021		4,448	7,262
		112,649	
		245,965	
	33,482		
	13,513		
	1,655	31,268	2,840
\$ 404,063	\$ 92,980	\$ 729,443	\$ 10,102

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 170,900	\$ 158,248	\$ 9,400	\$
Education - Elementary, Secondary and Vocational Schools	195,534	2,489	182,217	
Education - State Support to Higher Education	196,007		10,262	
Health, Human and Social Services	1,200,436	25,865	837,770	
Law, Justice, Public Protection and Regulation	243,805	50,888	68,460	
Agriculture and Natural Resources	118,686	61,572	37,093	
Economic Resources	45,006	2,379	13,569	
Transportation	408,482	6,052	288,982	2,519
Intergovernmental - Payments to School Districts	400,162			
Intergovernmental - Revenue Sharing	99,064			
Unallocated Interest Expense	21,514			
Unallocated Depreciation	58			
Total Governmental Activities	3,099,654	307,493	1,447,753	2,519
Business-type Activities:				
Lottery	32,767	152,590	806	
Clean Water State Revolving	4,777	4,954	6,801	
Drinking Water State Revolving	3,253	3,696	6,914	
Revolving Economic Development and Initiative	876	1,728	2,025	
Unemployment Insurance	58,494	34,820	7,420	
Second Injury	2,156	219	130	
State Fair	2,554	1,871	48	
Federal Surplus Property	3,080	3,138	24	
Rural Rehabilitation	737	333	322	
Prison Industries	2,442	2,547	113	
Health Insurance Risk Pool	7,048	5,436	1,007	
Professional and Licensing	6,362	6,370	539	
Banking and Insurance	2,862	2,401	52	
Other	2,840	2,062	71	
Total Business-type Activities	130,248	222,165	26,272	0
Total Primary Government	\$ 3,229,902	\$ 529,658	\$ 1,474,025	\$ 2,519
Component Units:				
Housing Authority	\$ 131,594	\$ 148,179	\$	\$
Science and Technology Authority	12,499	479	22,143	
Higher Education	616,854	273,999	145,931	9,586
Nonmajor	1,478	1,490		
Total Component Units	\$ 762,425	\$ 424,147	\$ 168,074	\$ 9,586

General Revenues:

Taxes:

Sales Taxes

Motor Fuel Taxes

Contractors Excise Taxes

Bank Card and Franchise Taxes

Other Taxes

Investment Earnings

State Support to Higher Education

Gain on Sale of Capital Assets

Miscellaneous

Additions to Endowments

Transfers

Total General Revenues, Additions to Endowments and Transfers

Changes in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

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

Net (Expenses) Revenue and Changes in Net Assets

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ (3,252)	\$	\$ (3,252)				
(10,828)		(10,828)				
(185,745)		(185,745)				
(336,801)		(336,801)				
(124,457)		(124,457)				
(20,021)		(20,021)				
(29,058)		(29,058)				
(110,929)		(110,929)				
(400,162)		(400,162)				
(99,064)		(99,064)				
(21,514)		(21,514)				
(58)		(58)				
(1,341,889)	0	(1,341,889)				
	120,629	120,629				
	6,978	6,978				
	7,357	7,357				
	2,877	2,877				
	(16,254)	(16,254)				
	(1,807)	(1,807)				
	(635)	(635)				
	82	82				
	(82)	(82)				
	218	218				
	(605)	(605)				
	547	547				
	(409)	(409)				
	(707)	(707)				
0	118,189	118,189				
(1,341,889)	118,189	(1,223,700)				
			\$ 16,585	\$	\$	\$
				10,123		
					(187,338)	
						12
			16,585	10,123	(187,338)	12
675,652		675,652				
124,442		124,442				
71,533		71,533				
55,260		55,260				
261,176		261,176				
(91,586)		(91,586)		3,008	(5,928)	421
					196,007	
919		919				
52,288		52,288				
					7,211	
120,002	(120,002)					
1,269,686	(120,002)	1,149,684	0	3,008	197,290	421
(72,203)	(1,813)	(74,016)	16,585	13,131	9,952	433
4,138,318	409,432	4,547,750	387,478	79,849	719,491	9,669
\$ 4,066,115	\$ 407,619	\$ 4,473,734	\$ 404,063	\$ 92,980	\$ 729,443	\$ 10,102

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Assets					
Cash and Cash Equivalents	\$ 112,351	\$ 62,037	\$	\$ 4,778	\$ 11,188
Investments				189,292	289,730
Receivables From:					
Taxes (net)	98,046	12,432			
Interest and Dividends	3,400	477	4	881	1,569
Other Funds	16,594	1,080	241		
Component Units	170				
Other Governments	702	40,104	37,052		
Loans and Notes (net)		232			
Other (net)	2,508	351	3,077	40	58
Inventory	1,691	13,879			
Deferred Fiscal Charges and Other Assets	717	67	33		
Total Assets	\$ 236,179	\$ 130,659	\$ 40,407	\$ 194,991	\$ 302,545
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 38,502	\$ 29,986	\$ 36,259	\$ 40	\$ 57
Payable To:					
Other Funds	8,840	1,383	3,715		
Component Units	39	50	149		
Other Governments	34,131	7,220	116		
Claims, Judgments and Compensated Absences	95	71	16		
Deferred Revenue	1,994		112		
Total Liabilities	83,601	38,710	40,367	40	57
Fund Balances:					
Reserved For:					
Encumbrances	15,674	5,373	21,269		
Inventories	1,691	13,879			
Debt Service					
School Perpetuity					
Noncurrent Assets	3,850	29			
State Transportation Infrastructure Bank Projects		19,205			
Funds held as Permanent Investments				238,000	329,330
Unreserved Designated For:					
Budget Reserve	43,398				
Land Purchase	2,200				
Unreserved Undesignated, Reported In:					
General Fund	85,765				
Special Revenue Funds		53,463	(21,229)	(43,049)	(26,842)
Capital Project Funds					
Total Fund Balances	152,578	91,949	40	194,951	302,488
Total Liabilities and Fund Balances	\$ 236,179	\$ 130,659	\$ 40,407	\$ 194,991	\$ 302,545

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

<u>Nonmajor</u>	<u>Total</u>
\$ 329,740	\$ 520,094
174,923	653,945
6,359	116,837
2,664	8,995
16,538	34,453
118	288
85,291	163,149
42,326	42,558
19,126	25,160
3,648	19,218
838	1,655
<u>\$ 681,571</u>	<u>\$ 1,586,352</u>

\$ 49,646	\$ 154,490
18,994	32,932
1,267	1,505
45,415	86,882
110	292
48,230	50,336
<u>163,662</u>	<u>326,437</u>

15,273	57,589
3,648	19,218
72,509	72,509
23,612	23,612
44,895	48,774
	19,205
85,631	652,961

43,398
2,200

	85,765
269,857	232,200
2,484	2,484
<u>517,909</u>	<u>1,259,915</u>
<u>\$ 681,571</u>	<u>\$ 1,586,352</u>



**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,259,915

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	906,647	
Infrastructure	3,136,828	
Other Capital Assets	601,514	
Accumulated Depreciation	<u>(1,491,438)</u>	
Total Capital Assets		3,153,551

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.

16,807

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.

30,488

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	(300,648)	
Accrued Interest on Bonds	(9,112)	
Capital Leases	(19,933)	
Compensated Absences	(44,798)	
Unclaimed Property	(2,165)	
Workers Compensation	(224)	
Net OPEB Obligation	(6,816)	
Pollution Remediation	<u>(10,950)</u>	
Total Long-Term Liabilities		<u>(394,646)</u>

Net Assets of Governmental Activities \$ 4,066,115

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, 2009
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>
Revenue:					
Taxes	\$ 895,567	\$ 173,556	\$	\$	\$
Licenses, Permits and Fees	7,517	4,313			
Fines, Forfeits and Penalties	614				
Use of Money and Property	26,422	3,328	35	(41,594)	(64,405)
Sales and Services	8,593	1,463			
Administering Programs	4	268,028	591,934		
Tobacco Settlement					
Other Revenue	14,216	465	3,172		
Total Revenue	<u>952,933</u>	<u>451,153</u>	<u>595,141</u>	<u>(41,594)</u>	<u>(64,405)</u>
Expenditures:					
Current:					
General Government	30,665			830	1,476
Education	21,476				
Education - Payments to School Districts	378,255				
Education - State Support to Higher Education	185,745				
Health, Human and Social Services	359,514		595,166		
Law, Justice, Public Protection and Regulation	125,731	16,168			
Agriculture and Natural Resources	17,627				
Economic Resources	12,619				
Transportation		422,570			
State Shared Revenue Paid to Other Governments	24,589				
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>1,156,221</u>	<u>438,738</u>	<u>595,166</u>	<u>830</u>	<u>1,476</u>
Excess of Revenues Over (Under) Expenditures	(203,288)	12,415	(25)	(42,424)	(65,881)
Other Financing Sources (Uses):					
Bonds Issued					
Premiums on Bond Issuance					
Proceeds from Sale of Capital Assets	92	1,847			
Transfers In	204,218	6,124			
Transfers Out	(18,466)	(3,347)		(13,523)	
Net Other Financing Sources (Uses)	<u>185,844</u>	<u>4,624</u>	<u>0</u>	<u>(13,523)</u>	<u>0</u>
Net Change in Fund Balances	(17,444)	17,039	(25)	(55,947)	(65,881)
Fund Balances at Beginning of Year, as restated	170,022	74,910	65	250,898	368,369
Fund Balances at End of Year	<u>\$ 152,578</u>	<u>\$ 91,949</u>	<u>\$ 40</u>	<u>\$ 194,951</u>	<u>\$ 302,488</u>

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

<u>Nonmajor</u>	<u>Total</u>
\$ 118,940	\$ 1,188,063
168,507	180,337
10,713	11,327
(1,193)	(77,407)
25,058	35,114
574,698	1,434,664
29,986	29,986
10,005	27,858
<u>936,714</u>	<u>2,829,942</u>
43,562	76,533
168,460	189,936
23,472	401,727
10,262	196,007
267,341	1,222,021
98,702	240,601
108,013	125,640
32,321	44,940
25,589	448,159
74,475	99,064
2,172	2,172
26,951	26,951
20,174	20,174
<u>901,494</u>	<u>3,093,925</u>
35,220	(263,983)
2,175	2,175
44	44
1,357	3,296
172,943	383,285
(230,012)	(265,348)
<u>(53,493)</u>	<u>123,452</u>
(18,273)	(140,531)
536,182	1,400,446
<u>\$ 517,909</u>	<u>\$ 1,259,915</u>



STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds **\$ (140,531)**

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	155,864	
Depreciation Expense	(81,365)	
Excess of Capital Outlay Over Depreciation Expense	74,499	74,499

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (27,759)

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	26,951	
Capital Lease Payments	1,586	
Total Long-Term Debt Repayment	28,537	28,537

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. 2,324

Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues increased (decreased) by this amount this year. (3,294)

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

Bonds Issued	(2,175)	
Bond Issuance and Refunding Costs	(391)	
Bond Premium	(44)	(2,610)

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	(569)	
(Increase) Decrease in Compensated Absences	(400)	
(Increase) Decrease in Workers Compensation	(10)	
(Increase) Decrease in Unclaimed Property	(475)	
(Increase) Decrease in Net OPEB Obligation	(2,965)	
(Increase) Decrease in Pollution Remediation	1,050	
Total Additional Expenditures	(3,369)	(3,369)

Change in Net Assets of Governmental Activities **\$ (72,203)**

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, 2009
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major				Activities	
		Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Assets	Lottery					
Current Assets:						
Cash and Cash Equivalents	\$ 9,068	\$ 8,306	\$ 29,781	\$ 71,562	\$ 118,717	\$ 54,747
Receivables:						
Interest and Dividends	119	1,726	1,020	733	3,598	422
Other Funds				304	304	7,696
Component Units				25	25	1,104
Other Governments		306	316	1,467	2,089	149
Loans and Notes (Net)		12,008	6,859	14,133	33,000	
Other (Net)	5,204			1,667	6,871	210
Inventory				1,792	1,792	726
Deferred Fiscal Charges and Other Assets		38	42	184	264	2,159
Total Current Assets	14,391	22,384	38,018	91,867	166,660	67,213
Restricted Assets:						
Restricted Cash		10	531		541	
Restricted Investments		374	420		794	
Other	793				793	
Investments		48,645	28,722		77,367	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	105			7,133	7,238	84,537
Accumulated Depreciation	(73)			(5,161)	(5,234)	(60,403)
Construction in Progress					0	1,720
Total Capital Assets	32	0	0	2,267	2,299	25,854
Other Noncurrent Assets		158,362	108,625	41,597	308,584	
Total Assets	15,216	229,775	176,316	135,731	557,038	93,067
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	1,944	218	175	1,551	3,888	3,807
Payable To:						
Other Funds	5,798	3		2,005	7,806	1,633
Component Units					0	23
Escrow Payable	49				49	
Bonds, Notes and Leases Payable		2,729	1,859		4,588	3,934
Claims, Judgments and Compensated Absences	134	33	23	1,902	2,092	17,836
Accrued Interest Payable		1,013	881		1,894	
Deferred Revenue	235			1,804	2,039	8,505
Total Current Liabilities	8,160	3,996	2,938	7,262	22,356	35,738
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		69,046	57,465		126,511	5,765
Claims, Judgments and Compensated Absences	120	29	20	383	552	21,076
Total Noncurrent Liabilities	120	69,075	57,485	383	127,063	26,841
Total Liabilities	8,280	73,071	60,423	7,645	149,419	62,579
Net Assets						
Invested In Capital Assets, Net of Related Debt	32			2,267	2,299	16,155
Restricted For:						
Debt Service		384	951		1,335	
Other	938				938	
Unrestricted	5,966	156,320	114,942	125,819	403,047	14,333
Total Net Assets	\$ 6,936	\$ 156,704	\$ 115,893	\$ 128,086	\$ 407,619	\$ 30,488

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, 2009
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,350	\$	\$	\$ 9,547	\$ 10,897	\$
Use of Money and Property		3,712	2,799	1,950	8,461	10
Sales and Services	151,108	1,242	897	13,502	166,749	192,921
Administering Programs		4,201	5,137	6,034	15,372	
Assessments				35,039	35,039	
Other Revenue				718	718	2,805
Total Operating Revenue	152,458	9,155	8,833	66,790	237,236	195,736
Operating Expenses:						
Personal Services and Benefits	1,472	237	180	8,880	10,769	32,855
Travel	145	9	8	1,068	1,230	661
Contractual Services	7,185	247	248	7,727	15,407	31,533
Supplies and Materials	576	4	4	3,821	4,405	15,997
Other	54	1,589	592	389	2,624	
Interest		2,653	2,179		4,832	427
Depreciation/Amortization	11	38	42	283	374	8,159
Lottery Prizes	23,319				23,319	
Insurance Claims				67,234	67,234	107,868
Total Operating Expenses	32,762	4,777	3,253	89,402	130,194	197,500
Operating Income (Loss)	119,696	4,378	5,580	(22,612)	107,042	(1,764)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	331
Loss on Disposal of Assets				(28)	(28)	(125)
Interest Income	806	2,600	1,777	5,169	10,352	2,876
Other Expense	(5)			(21)	(26)	(50)
Capital Contribution					0	26
Grant and Other Income	132			717	849	
Total Nonoperating Revenue (Expenses)	933	2,600	1,777	5,837	11,147	3,058
Income (Loss) Before Transfers	120,629	6,978	7,357	(16,775)	118,189	1,294
Transfers:						
Transfers In				1,614	1,614	1,246
Transfers Out	(119,884)	(22)	(23)	(1,687)	(121,616)	(216)
Net Transfers In (Out)	(119,884)	(22)	(23)	(73)	(120,002)	1,030
Change in Net Assets	745	6,956	7,334	(16,848)	(1,813)	2,324
Net Assets at Beginning of Year	6,191	149,748	108,559	144,934	409,432	28,164
Net Assets at End of Year	\$ 6,936	\$ 156,704	\$ 115,893	\$ 128,086	\$ 407,619	\$ 30,488

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, 2009
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 152,711	\$ 1,271	\$ 948	\$ 56,136	\$ 211,066	\$ 74,254
Receipts from Interfund Services Provided				3,219	3,219	121,843
Receipts from Federal Agencies		4,155	5,143	6,000	15,298	
Receipts from Loan Payments		16,184	12,979	7,324	36,487	
Payments to Suppliers and for Benefits and Claims	(7,215)	(673)	(196)	(78,794)	(86,878)	(138,189)
Payments for Employee Services	(1,447)	(212)	(187)	(8,580)	(10,426)	(32,686)
Payments for Interfund Services Used	(751)			(1,737)	(2,488)	(13,093)
Payments for Lottery Prizes	(23,374)				(23,374)	
Payments for Loans Originated		(24,271)	(12,492)	(15,507)	(52,270)	
Other Receipts (Payments)	84	(1,220)	(624)	279	(1,481)	279
Net Cash Provided (Used) by Operating Activities	120,008	(4,766)	5,571	(31,660)	89,153	12,408
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(28)			(26)	(54)	(4,569)
Sales of Capital Assets				1	1	715
Payments on Capital Lease Obligations					0	(4,927)
Net Cash Provided (Used) by Capital and Related Financing Activities	(28)	0	0	(25)	(53)	(8,781)
Cash Flows From Noncapital Financing Activities:						
Transfers In				1,612	1,612	1,246
Transfers Out	(119,639)	(22)	(23)	(1,685)	(121,369)	(216)
Received on Interfund Borrowing					0	(821)
Payments on Bonds and Notes		(2,730)	(1,745)		(4,475)	
Bond Issuance Costs		(38)	(32)		(70)	
Interest Payments on Bonds and Notes		(2,676)	(2,312)		(4,988)	
Other Noncapital Financing Activities				552	552	
Net Cash Provided (Used) by Noncapital Financing Activities	(119,639)	(5,466)	(4,112)	479	(128,738)	209
Cash Flows From Investing Activities:						
Investment Income	824	2,455	1,831	5,355	10,465	2,921
Purchase of Investment Securities		(18,845)	(21,493)		(40,338)	
Proceeds from the Sale and Maturity of Investments		34,023	47,890		81,913	
Security Lending Rebate Fees	(5)			(24)	(29)	(21)
Net Cash Provided (Used) by Investing Activities	819	17,633	28,228	5,331	52,011	2,900
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	1,160	7,401	29,687	(25,875)	12,373	6,736
Cash and Cash Equivalents at Beginning of Year	7,908	915	625	97,437	106,885	48,011
Cash and Cash Equivalents at End of Year	\$ 9,068	\$ 8,316	\$ 30,312	\$ 71,562	\$ 119,258	\$ 54,747

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 119,696	\$ 4,378	\$ 5,580	\$ (22,612)	\$ 107,042	\$ (1,764)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	11	38	42	283	374	8,159
Bad Debt Expense	5				5	
Interest Expense		2,653	2,179		4,832	444
Miscellaneous Nonoperating Items	132			164	296	(9)
Decrease/(Increase) in Assets:						
Accounts Receivable	250	17	13	(489)	(209)	(24)
Interest, Dividends & Penalties Receivable		95	155	(65)	185	
Loans and Notes Receivable		(11,895)	(2,467)	(10,429)	(24,791)	
Due From Other Funds					0	(468)
Due From Component Units				8	8	(281)
Due From Other Governments		(17)	56	(1,309)	(1,270)	(14)
Inventory				52	52	(38)
Deferred Fiscal Charges and Other Assets				193	193	(190)
Other Restricted Assets	145				145	
Increase/(Decrease) in Liabilities:						
Accounts Payable	(196)	(63)	20	461	222	(158)
Accrued Liabilities	8	4	(1)	14	25	(13)
Compensated Absences Payable	17	21	(6)	51	83	182
Due To Other Funds	16	3		1,824	1,843	151
Due To Component Units					0	(132)
Due To Other Governments	10				10	
Deferred Revenue	51			(22)	29	1,449
Escrow Payable	5				5	
Policy Claim Liabilities				211	211	5,114
Other Liabilities	(142)			5	(137)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,008</u>	<u>\$ (4,766)</u>	<u>\$ 5,571</u>	<u>\$ (31,660)</u>	<u>\$ 89,153</u>	<u>\$ 12,408</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets				28	28	206
Capital Lease Obligations Entered Into					0	(4,728)
Contributions of Fixed Assets					0	26

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, 2009
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	\$ 6,263	\$ 9,616	\$ 61,325
Receivables:			
Employer	2,030		
Employee	3,747		
Benefits	69		
Unsettled Investment Sales	6,834		
Taxes Receivable			32,238
Due From Other Funds		107	
Due From Other Governments			593
Investment Income	16,739	470	82
Other		47	314
Total Receivables	29,419	624	33,227
Investments, at Fair Value:			
Fixed Income	1,659,960		
Equities	3,032,382		
Real Estate	484,792		
Private Equity	534,903		
Pooled Investment Funds		109,181	
Total Investments	5,712,037	109,181	0
Properties, at Cost	78	13,894	
Accumulated Depreciation	(48)		
Other Assets	17	8	
Total Assets	5,747,766	133,323	\$ 94,552
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,478	926	\$ 7,486
Refunds - Contractors Excise Tax			30,062
Due To Other Funds	40	149	
Due To Other Governments			57,004
Compensated Absences Payable	245		
Securities Sold, But Not Yet Purchased, at Fair Value	52,024		
Unsettled Investment Purchases	8,534		
Total Liabilities	63,321	1,075	\$ 94,552
Net Assets			
Held in Trust For:			
Pension Benefits	5,684,445		
Individuals and Other Governments		132,248	
Total Net Assets	\$ 5,684,445	\$ 132,248	

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, 2009
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employee	\$ 95,458	\$
Employer	94,245	
From Participants		205
From Clients and Inmates		8,309
Other		8,733
Total Contributions	<u>189,703</u>	<u>17,247</u>
Investment Income:		
From Investing Activities		
Net Increase (Decrease) in Fair Value of Investments	(1,669,311)	(27,813)
Interest	89,626	
Dividends	88,104	
Real Estate	4,270	
Pooled Interest and Dividends		5,097
Investment Activity Income	<u>(1,487,311)</u>	<u>(22,716)</u>
Less Investment Activity Expenses	(41,012)	
Net Investment Activity Income	<u>(1,528,323)</u>	<u>(22,716)</u>
From Security Lending Activities		
Security Lending Income	1,623	46
Security Lending Expenses	<u>(1,262)</u>	<u>(43)</u>
Net Security Lending Activity Income	361	3
Net Investment Income (Loss)	<u>(1,527,962)</u>	<u>(22,713)</u>
Miscellaneous Income		763
Transfers From Other Funds	1,035	
Total Additions	<u>(1,337,224)</u>	<u>(4,703)</u>
Deductions		
Benefits	309,831	
Refunds of Contributions	24,225	
Distribution to School Districts		11,227
Payments made for Trust Purposes		9,852
Administrative Expenses	<u>3,688</u>	<u>2</u>
Total Deductions	<u>337,744</u>	<u>21,081</u>
Net Increase (Decrease)	(1,674,968)	(25,784)
Net Assets Held In Trust		
Beginning of Year	<u>7,359,413</u>	<u>158,032</u>
End of Year	<u>\$ 5,684,445</u>	<u>\$ 132,248</u>

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

The State's major discretely presented component units are:

South Dakota Housing Development Authority

Science and Technology Authority

Higher Education (Affiliated organizations of Higher Education were excluded from the notes to the financial statements.) The South Dakota School for the Blind and Visually Impaired (SDSBVI) and the South Dakota School of the Deaf (SDSD) were previously reported as part of the primary government. In fiscal year 2009, these entities have been excluded from the primary government reporting entity and included in Higher Education, a discretely presented component unit.

The State's nonmajor discretely presented component units are:

South Dakota Value Added Finance Authority

Conservation Reserve Enhancement Program (CREP)

South Dakota Economic Development Finance Authority

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

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

C. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and Statement of Activities. The Statement of Net Assets and Statement of Activities report all nonfiduciary activities of the primary government and its component units.

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

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

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

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

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary, Fiduciary, and Similar Component Units Financial Statements

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

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

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

The State reports the following major proprietary funds:

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

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

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

In addition, the State reports the following fund types:

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

E. Budgetary Accounting

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

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

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

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2009 totaled \$57,589,000.

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

Cash and Cash Equivalents and Investments

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

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

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

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

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

Receivables

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

Inventories

Inventories reported in the governmental fund types are reported at cost using the 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, 2009 market price. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by deferred revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2009, the commodities inventory was reported in the amount of \$870,000.

Capital Assets

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

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

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

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

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business-type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$7,675,115 and \$375,585, respectively, as of June 30, 2009. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

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

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

Net Assets/Fund Balances

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

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

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

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

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

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2009 was \$43,398,000 and is reported as unreserved designated equity in the General Fund.

During the 2009 Legislative Session, House Bill 1271 was passed to authorize the South Dakota Building Authority and the Department of Corrections to provide for the purchase, design, construction and equipping of a combined minimum security and parole facility in Rapid City. This land purchase designation totaled \$2,200,000 and is reported as unreserved designated equity in the General Fund.

G. Compensated Absences

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

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

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2009, the amount of certificate of deposits being held by the Lottery was \$387,053 and is included in cash and cash equivalents on the balance sheet. The amount of \$6,253,100 was in the form of surety bonds, deposits in cash, or irrevocable letters of credit and is not reported on the Statement of Net Assets.

I. Interfund Activity and Balances

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

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

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

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Change in Accounting Policy

The South Dakota School for the Blind and Visually Impaired and The South Dakota School for the Deaf (together known as the Special Schools) are controlled and administered by the South Dakota Board of Regents. Prior to fiscal year 2009 the Special Schools were reported as a part of the primary government in the non-major special revenue funds. In fiscal year 2009, these entities have been excluded from the primary government reporting entity and included in Higher Education, a discretely presented component unit.

As a result of the change in accounting policy for the Special Schools noted above, the beginning fund equity balance in the non-major special revenue funds reported in the fund financial statements decreased by \$1,181,000. In addition to this decrease, the change in accounting policy for the Special Schools also decreased the beginning net assets balance reported for governmental activities in the government-wide financial statements by \$1,550,000. The result is a net decrease in the beginning net assets balance reported for governmental activities of \$2,731,000. The beginning net assets balance reported for Higher Education was also increased by this amount.

Restatements-Primary Government

The beginning net asset balance reported in the governmental activities column of the government-wide financial statements was also decreased by \$12,000,000 for the implementation of GASB Statement 49 - Accounting and Financial Reporting for Pollution Remediation Obligations.

Restatements-Component Units

The beginning net assets balance reported for Higher Education was increased by \$1,712,000 for the restatement of construction in progress erroneously omitted from the prior financial statements as well as various other miscellaneous reporting errors in prior years.

Recently Issued Pronouncements

In June 2007, the GASB issued Statement 51, Accounting and Financial Reporting for Intangible Assets. This statement establishes standards of accounting and financial reporting for intangible assets for all state and local governments. The requirements of GASB Statement No. 51 are effective for the State's fiscal year 2010 financial statements.

In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments. This statement establishes standards of accounting and financial reporting for all state and local governments that enter into derivative instruments as defined in this statement. The requirements of GASB Statement No. 53 are effective for the State's fiscal year 2010 financial statements.

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

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

3. CASH, DEPOSITS, AND INVESTMENTS

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

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by \$8,210,228 for deficit cash balances that existed in various state funds at June 30, 2009, and is reported as an interfund receivable.

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

A. Primary Government

Investments and deposits of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 68% of the Cash Flow Portfolio) and discretely presented component units (comprising 32% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Building Authority CREP Program and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2009, pledged collateral for five depositories did not equal at least 100% of the total public deposits in excess of depository insurance. As a result, \$486.62 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2009, the Retirement Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolios were exposed to custodial credit risk of \$7,219,192.

At June 30, 2009, the Trust Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Trust Portfolios were exposed to custodial credit risk of \$292,539.

At June 30, 2009, the Other Funds had bank balances that are not collateralized or covered by depository insurance. As a result, the Other Funds were exposed to custodial credit risk of \$446,665.

Investments

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The South Dakota Investment Council (SDIC) has no formal policy for investment custodial credit risk. Collateral securities in the securities lending program are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in South Dakota's name. Due to the suspension of the securities lending program by the SDIC, no collateral securities were held by the Cash Flow Fund, the Retirement Funds, or the Trust Funds at June 30, 2009, which resulted in no custodial credit risk for those funds respectively. The Other Funds, however, had custodial credit risk totaling \$112,725,647 at June 30, 2009, and represent investments that were uninsured and unregistered, with the securities held by trust departments, but not in the government's name.

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

Investment Type	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$ 40,812	2.07	\$ 59,623	9.13	\$ 15,939	8.32	\$	
U.S. Treasury bills			3,601	.22				
U.S. Treasury STRIPS			32,007	13.81				
U.S. Treasury inflation protected securities					24,699	3.16		
U.S. agencies	287,810	1.69	52,162	5.08	12,191	7.65	11,145	.64
FDIC's Temporary Liquidity Guarantee Program	50,321	2.65	28,992	3.13	2,992	3.32		
U.S. Government-backed loans					3,434	11.60		
Investment grade corporate	500,704	2.08	276,993	3.35	29,936	4.27		
High-yield corporates			239,986	3.79	4,108	3.91		
High-yield bond mutual fund					11,290	4.26		
Mortgage-backed securities			321,070	2.93	59,025	3.01		
Mutual funds			103,044					
Municipal bonds					116,070	5.62		
Investment agreements							101,581	16.47
Total	<u>\$ 879,647</u>		<u>\$ 1,117,478</u>		<u>\$ 279,684</u>		<u>\$ 112,726</u>	
Portfolio modified duration		1.98		3.69		4.88		11.18

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio actively managed portion can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow Portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2009, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service (expressed in thousands):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Moody's Rating	Fair Value	Fair Value	Fair Value	Fair Value
Aaa	\$ 389,011	\$ 425,315	\$ 74,810	\$ 18,790
Aa	100,836	23,529	73,630	
A	387,032	112,121	41,288	62,706
Baa	12,836	98,957	10,397	
Ba		113,482	5,126	7,710
B		60,976	494	
Caa		19,876	152	
P-1				23,422
Unrated		88,039	19,499	39,205
Total	\$ 889,715	\$ 942,295	\$ 225,396	\$ 151,833

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement and Trust Portfolios' exposure to foreign currency risk at June 30, 2009, are as follows (in U.S. dollar fair value, expressed in thousands):

	Retirement Portfolios			Trust Portfolios		
Currency	Equities U.S.Dollar Fair Value	Cash U.S Dollar Fair Value	Total	Equities U.S.Dollar Fair Value	Cash U.S Dollar Fair Value	Total
Australian Dollar	\$ 1,850	\$ 9	\$ 1,859	\$	\$	\$
Brazilian Real	1,210		1,210			
British Pound	137,089	2,232	139,321	11,758	84	11,842
Canadian Dollar	49,672	86	49,758	1,645	6	1,651
Danish Kroner	164	32	196			
Euro	270,997	4,219	275,216	25,480		25,480
Hong Kong Dollar	3,127	22	3,149			
Japanese Yen	134,123	518	134,641	12,932	102	13,034
Korean Won	8,727		8,727			
Malaysian Ringgit	247		247			
New Zealand Dollar	437		437			
Norwegian Krone	3,710		3710			
Singapore Dollar		1	1			
South African Rand	299		299			
Swedish Krona	3,628	59	3,687			
Swiss Franc	93,397	41	93,438	8,868	101	8,969
Turkish Lira	923		923			
Total Fair Value	\$ 709,600	\$ 7,219	\$ 716,819	\$ 60,683	\$ 293	\$ 60,976

Investments with limited partnerships and certain global equity investments with outside managers, which are not included in the table above, may expose the State to additional foreign currency risk. For the Trust Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2009 was \$68,142,087. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2009 was \$1,293,733,144. The total fair value of global equity investments managed by outside managers was \$364,329,760. The total fair value of arbitrage equity investments managed by outside managers was \$80,585,693.

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

Securities Lending Transactions

State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending securities and shall accept only cash and Government securities as collateral for any loan or loaned securities and the maintenance percentage with respect to such loaned securities shall be 100% plus accrued interest for Government securities, 102% plus accrued interest for corporate debt securities and 102% for equity securities. The cash collateral is reinvested by the lending agent in accordance with contractual investment guidelines that are designed to ensure the safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to the dealers, result in net earnings from lending activities, which is then split on a percentage basis with the lending agent.

The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent. The program agreement allows all securities loans to be terminated on demand by either the SDIC or the borrower. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short-term investments in a segregated collateral investment portfolio.

During the year, the SDIC suspended the securities lending program with the lending agent. None of the portfolios had securities on loan at the end of the year. As a result, the SDIC had no credit risk exposure to borrowers.

Derivative Financial Instruments in Primary Government

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

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2009 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 2009	Long	140	\$ 32,176
U.S. Treasury note due September 2009	Long	135	20,215

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into such a contract, SDRS pledges cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange to the broker. Additionally, SDRS receives or pays a daily fluctuation in value of the contract. The use of futures contracts is subject to various market risks. The maximum amount at risk from the purchase (long position) of a futures contract is the contract value. The amount at risk from the sale (short position) of a futures contract depends upon the amount that the contract raises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure.

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 \$52,023,535 as of June 30, 2009. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

The SDIC also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations. The SDIC does not engage in foreign currency speculation. The contracts do not subject SDRS to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. The unrealized loss on foreign exchange forward contracts as of June 30, 2009 was \$4,609,838. This amount does not include limited partnerships and certain global equity investments with outside managers, which may also enter into foreign exchange forward contracts.

SDRS's theoretical risk in these transactions is the cost of replacing, at current market rates, these contracts in the event of default by the other party. Management believes the risk of incurring such losses is remote as the contracts are entered into with major financial institutions.

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities issued by the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). The fair value of these securities as of June 30, 2009 was \$317,253,682. These securities may be subject to prepayment by the mortgagees, which may reduce the fair value of these securities. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund. The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial, interest rate and commodity futures as a means of adjusting the plan's portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2009 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
US Treasury Note	Long	1	\$ 150

The Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2009 was \$2,431,666. The SDIC is using this investment to enhance fixed returns.

Trust Portfolios. The School and Public Lands, Dakota Cement Trust, and Health Care Trust fixed income portfolios invest in mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2009 was \$18,930,011, \$27,707,227, and \$12,387,658, respectively. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the fair value of these securities. The SDIC invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding the interest rate risks for these investments are included with the interest rate risk disclosures.

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2009 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$528,750.

Investments

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The component units do not have investment policies for custodial credit risk. At June 30, 2009, investments in the amount of \$8,892,349 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. The Housing Development Authority investments of the Capital Reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related Series of the Bonds. The average duration of individual securities will not exceed twenty years. Investments of the Mortgage Reserve accounts must provide for the purposes thereof as estimated by the Authority. The duration of fifty percent of individual securities will not exceed two years from the date of purchase or deposit. The Authority assumes that its callable investments will not be called. The Authority invests in mortgage pass-through securities issued by GNMA, FNMA and FHLMC. Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk.

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

As of June 30, 2009, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasuries bills	\$ 2,328	\$ 2,328		\$	\$
U.S. Treasuries notes	65,378		56,298	8,199	881
U.S. Treasury strips	56		56		
U.S. agencies	400,039	78,427	110,134	125,036	86,442
Mutual funds	213,991	211,938	2,053		
State Obligations	123,948	1,200	6,690	3,025	113,033
Investment agreements	62,202	54,981	2,225		4,996
Total	\$ 867,942	\$ 348,874	\$ 177,456	\$ 136,260	\$ 205,352

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

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

As of June 30, 2009, the Housing Development Authority, Economic Development Finance Authority and the Board of Regent's investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
Aaa	\$ 782,338
Aa	6,528
A	1,539
Baa	155
Ba	589
Unrated	5,571
Total Fair Value	\$ 796,720

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units place no limit on the amounts that they may invest in any one issuer. As of June 30, 2009, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (10.22%), Federal National Mortgage Association (13.95%), Federal Home Loan Mortgage Corporation (15.34%), South Dakota Housing Development Authority (13.2%) and Aegon (5.15%).

Derivative Financial Instruments in Component Units

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

Swap Terms. The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2009, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally 10 years after the date of issuance of the related bonds (expressed in thousands).

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating*	Fair Value
Merrill Lynch Capital Services							
2003 C-1	\$ 26,500	6/18/04	3.400%	57% of LIBOR plus 0.42%	5/01/2013	A2	\$ (1,548)
2005 D	6,925	4/13/05	3.290%	57.3% of LIBOR	5/01/2015	A2	(416)
2007 I	34,000	10/16/07	4.143%	63.8% of LIBOR	5/01/2038	A2	(2,865)
JPMorgan Chase Bank, N.A.							
2004 G	33,000	10/20/04	3.897%	63.4% of LIBOR plus 0.29%	5/01/2034	Aa1	(1,643)
2005 C	41,000	4/13/05	3.930%	63.3% of LIBOR	5/01/2035	Aa1	(2,304)
2008 F	34,000	9/04/08	3.85%	63.7% of LIBOR Plus 0.30% Plus 0.40%	5/03/2039	Aa1	(2,259)
UBS Investment Bank							
2003 F	13,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	(385)
2003 I	28,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	(840)
2004 C	34,000	6/21/05	3.745%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	(1,092)
Merrill Lynch Derivative Products, AG.							
2005 G	25,000	7/19/05	3.773%	63.8% of LIBOR plus 0.29%	5/01/2035	Aaa	(860)
2006 C	45,000	6/14/06	4.419%	64% of LIBOR plus 0.30%	5/01/2037	Aaa	(4,182)
2008 C	49,705	3/26/08	3.420%	63.7% of LIBOR Plus .31%	5/01/2039	Aaa	(1,207)
MPB 2008 A	7,320	8/02/08	3.552%	63.8% of LIBOR Plus 0.20%	5/01/2048	Aaa	(316)

* Moody's Investors Service

The fair values presented above were estimated by the Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2009. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks

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

Basis Risk. The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2009, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 2.645% per annum, while the weighted average interest rate on the swaps was 2.516% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one-month, taxable LIBOR rate.

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

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

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

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2009 (expressed in thousands):

Year End June 30	Variable-Rate Bond		Interest Rate		
	Principal	Interest	Swap – Net	Total	
2010	\$	\$	1,255	\$ 12,556	\$ 13,811
2011	80	1,255	12,556		13,891
2012	80	1,255	12,553		13,888
2013	90	1,255	12,427		13,772
2014	90	1,255	11,806		13,151
2015-2019	510	6,269	58,205		64,984
2020-2024	640	6,262	57,960		64,862
2025-2029	23,600	6,199	57,259		87,058
2030-2034	253,575	4,891	46,262		304,728
2035-2039	96,190	729	7,951		104,870
2040-2044	1,470	30	355		1,855
2045-2049	1,420	9	103		1,532
Total	\$ 377,745	\$ 30,664	\$ 289,993	\$	698,402

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

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

	Governmental Activities							Total
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	
Taxes Receivable	\$ 106,363	\$ 12,449	\$	\$	\$	\$ 6,536	\$	\$ 125,348
Allowance	(8,317)	(17)				(177)		(8,511)
Accounts Receivable	3,610	711	3,077	40	58	21,509	210	29,215
Allowance	(1,102)	(360)				(2,383)		(3,845)
Due From Other Governments	702	40,104	37,052			85,291	149	163,298
Interest Receivable	3,400	477	4	881	1,569	2,664	422	9,417
Current Loans and Notes		203				2,395		2,598
Allowance						(167)		(167)
Non-current Loans and Notes		29				40,159		40,188
Allowance						(61)		(61)
Due From Fiduciary Funds	23					117	40	180
Receivables, net	<u>\$ 104,679</u>	<u>\$ 53,596</u>	<u>\$ 40,133</u>	<u>\$ 921</u>	<u>\$ 1,627</u>	<u>\$ 155,883</u>	<u>\$ 821</u>	<u>\$ 357,660</u>

	Business-type Activities					Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds		
Accounts Receivable	\$ 5,222	\$	\$	\$ 4,082	\$	9,304
Allowance	(18)			(2,415)		(2,433)
Due From Other Governments		306	316	1467		2,089
Interest Receivable	119	1,726	1,020	733		3,598
Current Loans Receivable		12,008	6,859	14,384		33,251
Allowance				(251)		(251)
Noncurrent Loans Receivable		157,854	108,082	43,029		308,965
Allowance				(1,432)		(1,432)
Due From Fiduciary Funds				9		9
Receivables, net	<u>\$ 5,323</u>	<u>\$ 171,894</u>	<u>\$ 116,277</u>	<u>\$ 59,606</u>	<u>\$</u>	<u>353,100</u>

B. Accounts Payable and Other Current Liabilities

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

	Governmental Activities							
	General Fund	Trans- portation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	\$ 10,650	\$ 4,153	\$ 1,513	\$	\$	\$ 8,062	\$ 1,964	\$ 26,342
Accounts Payable	11,057	25,833	4,704	40	57	27,409	1,843	70,943
Medicaid Claims Due to Other Governments	15,893		30,042			14,175		60,110
Shared Revenue Distribution	3,001	7,220	116			27,517		37,854
Claims Payable	31,130					17,898		49,028
Due to Fiduciary Funds	53					42	11,193	11,193
Total	<u>\$ 71,784</u>	<u>\$ 37,206</u>	<u>\$ 36,375</u>	<u>\$ 40</u>	<u>\$ 57</u>	<u>\$ 95,103</u>	<u>\$ 15,000</u>	<u>\$ 255,565</u>
	Business-type Activities							
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Nonmajor Enterprise Funds	Total			
Payroll and Withholdings	\$ 99	\$ 17	\$ 12	\$ 499	\$ 627			
Accounts Payable	1,423	201	163	1,052	2,839			
Due to Fiduciary Funds				12	12			
Escrow Payable	49				49			
Claims Payable				1,462	1,462			
Other Liabilities	422				422			
Total	<u>\$ 1,993</u>	<u>\$ 218</u>	<u>\$ 175</u>	<u>\$ 3,025</u>	<u>\$ 5,411</u>			

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2009 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From								
	General Fund	Transportation Fund	Social Services Federal	Non-major Governmental Funds	Lottery Fund	Clean Water State Revolving Fund	Non-major Enterprise Funds	Internal Service	Fiduciary
General Fund	\$ 31	\$ 2	\$ 2,361	\$ 7,185	\$ 935	\$	\$ 1	\$ 6	\$ 23
Transportation Fund	5		26	288			3	758	
Social Services Fund	221			20					
Non-major Governmental Funds	1,657	179	588	2,630	4,775	3	1,827	72	116
Non-major Enterprise Funds	29	3	19	104				139	10
Internal Service Funds	2,203	1,199	721	2,625	88		162	658	40
Fiduciary Funds	53			42			12		
Total	<u>\$ 4,199</u>	<u>\$ 1,383</u>	<u>\$ 3,715</u>	<u>\$ 12,894</u>	<u>\$ 5,798</u>	<u>\$ 3</u>	<u>\$ 2,005</u>	<u>\$ 1,633</u>	<u>\$ 189</u>

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, 2009 which are not shown in the above table. These are amounts owed between funds that are not due within one year. In fiscal year 2009, advances include \$6,050,000 from the General Fund to the Parks and Recreation Fund, reported as a non-major governmental fund, for improvements to Custer State Park, and \$4,691,000 from the Energy Conservation Fund, reported as a non-major governmental fund, to the General Fund and the Veteran's Home Fund reported as a non-major governmental fund for energy conservation projects.

B. Interfund Transfers

Transferred From	Transferred To						Total
	General Fund	Transportation Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$ 72	\$ 15,628	\$ 1,520	\$ 1,246	\$	\$ 18,466
Transportation Fund	2,174		1,173				3,347
Dakota Cement Trust Fund	13,523						13,523
Non-major Governmental Funds	181,341	5,916	41,626	94		1,035	230,012
Lottery Fund	6,180	136	113,568				119,884
Clean Water State Revolving Fund			22				22
Drinking Water State Revolving Fund			23				23
Non-major Enterprise Funds	1,000		687				1,687
Internal Service Funds			216				216
Total	<u>\$204,218</u>	<u>\$ 6,124</u>	<u>\$ 172,943</u>	<u>\$ 1,614</u>	<u>\$ 1,246</u>	<u>\$ 1,035</u>	<u>\$387,180</u>

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) move receipts restricted for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In fiscal year 2009, \$196,007,000 of General Fund and Federal 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 the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2009 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 100,509	\$ 4,438	\$ 4,541	\$ 100,406
Land Improvements	3,375	2,904		6,279
Land Improvements - Roads	586,343	2,667		589,010
Construction in Progress	192,149	142,728	122,205	212,672
Total Capital Assets Not Being Depreciated	882,376	152,737	126,746	908,367
Capital Assets Being Depreciated:				
Land Improvements	14,868	1,195	45	16,018
Buildings	354,042	9,308	2,294	361,056
Equipment	184,099	10,005	5,722	188,382
Vehicles	116,171	10,378	5,956	120,593
Infrastructure	3,075,133	104,201	42,506	3,136,828
Total Capital Assets Being Depreciated	3,744,313	135,087	56,523	3,822,877
Less: Accumulated Depreciation for:				
Land Improvements	5,016	731	49	5,698
Buildings	131,042	9,747	3,158	137,631
Equipment	101,906	13,898	5,788	110,016
Vehicles	65,135	9,625	5,108	69,652
Infrastructure	1,190,382	58,065	19,605	1,228,842
Total Accumulated Depreciation	1,493,481	92,066	33,708	1,551,839
Total Capital Assets Being Depreciated, Net	2,250,832	43,021	22,815	2,271,038
Total Governmental Activities, Net	\$ 3,133,208	\$ 195,758	\$ 149,561	\$ 3,179,405

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 295	\$	\$	\$ 295
Total Capital Assets Not Being Depreciated	<u>295</u>			<u>295</u>
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	3,267	26	987	2,306
Total Capital Assets Being Depreciated	<u>8,199</u>	<u>26</u>	<u>987</u>	<u>7,238</u>
Less: Accumulated Depreciation for:				
Land Improvements	486	28		514
Buildings	2,757	81		2,838
Equipment	2,686	182	986	1,882
Total Accumulated Depreciation	<u>5,929</u>	<u>291</u>	<u>986</u>	<u>5,234</u>
Total Capital Assets Being Depreciated, Net	<u>2,270</u>	<u>(265)</u>	<u>1</u>	<u>2,004</u>
Total Business-type Activities, Net	<u>\$ 2,565</u>	<u>\$ (265)</u>	<u>\$ 1</u>	<u>\$ 2,299</u>

Depreciation was charged to the function of government as follows:

	<u>Amount</u>
Governmental Activities	
Unallocated	\$ 58
General Government	10,659
Health and Human Services	2,266
Law, Justice, and Public Protection	7,163
Agriculture and Natural Resources	3,128
Transportation	67,678
Education	1,015
Economic Resources	99
Total Governmental Activities	<u>\$ 92,066</u>
Business-type Activities	
Enterprise Funds	<u>\$ 291</u>

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2009 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 11,326	\$ 1,920	\$	\$ 13,246
Construction in Progress	87,573	105,400	43,398	149,575
Works of Art and Historical Treasures	8,019	32		8,051
Total Capital Assets Not Being Depreciated	106,918	107,352	43,398	170,872
Capital Assets Being Depreciated:				
Land Improvements	45,375	4,216		49,591
Buildings	468,760	30,420	1,745	497,435
Equipment and Other Assets	192,994	12,900	3,675	202,219
Total Capital Assets Being Depreciated	707,129	47,536	5,420	749,245
Less: Accumulated Depreciation for:				
Land Improvements	21,352	1,580		22,932
Buildings	192,941	13,050	508	205,483
Equipment and Other Assets	140,730	11,084	3,248	148,566
Total Accumulated Depreciation	355,023	25,714	3,756	376,981
Total Capital Assets Being Depreciated, Net	352,106	21,822	1,664	372,264
Total Higher Education Capital Assets, Net	459,024	129,174	45,062	543,136
South Dakota Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land	220			220
Total Capital Assets Not Being Depreciated	220			220
Capital Assets Being Depreciated:				
Land Improvements	704	630	234	1,100
Buildings	416	4,070	8	4,478
Equipment	3,062	752	587	3,227
Total Capital Assets Being Depreciated	4,182	5,452	829	8,805
Less: Accumulated Depreciation for:				
Land Improvements	355	35	72	318
Buildings	16	74	8	82
Equipment and Other Assets	2,514	152	479	2,187
Total Accumulated Depreciation	2,885	261	559	2,587
Total Capital Assets Being Depreciated, Net	1,297	5,191	270	6,218
Total Housing Authority Capital Assets, Net	1,517	5,191	270	6,438
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	1,528	6		1,534
Underground Mine	10,841		92	10,749
Archive Materials	50	20		70
Construction in Progress	10,565	1,816	10,513	1,868
Total Capital Assets Not Being Depreciated	22,984	1,842	10,605	14,221
Capital Assets Being Depreciated:				
Buildings	7,155	18,722	21	25,856
Equipment	1,293	3,408	193	4,508
Vehicles	10	41		51
Infrastructure	70	503		573
Total Capital Assets Being Depreciated	8,528	22,674	214	30,988
Less: Accumulated Depreciation for:				
Buildings	461	169	4	626
Equipment	102	180	46	236
Vehicles	1	4		5
Infrastructure		12		12
Total Accumulated Depreciation	564	365	50	879
Total Capital Assets Being Depreciated, Net	7,964	22,309	164	30,109
Total Science and Technology Authority Capital Assets, Net	30,948	24,151	10,769	44,330
Total Discretely Presented Component Units, Net	\$ 491,489	\$ 158,516	\$ 56,101	\$ 593,904

C. Construction in Progress

The State has entered into contracts for the renovation and construction of buildings, structures, and infrastructure (highway projects). Constructions in progress at June 30, 2009 are as follow (expressed in thousands):

	Amount
Primary Government	
Governmental Activities	
Land Improvements	\$ 2,121
Buildings and Structures	19,973
Equipment	28,414
Infrastructure	162,164
Total Primary Government	<u>\$ 212,672</u>
Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 5,355
Buildings and Structures	144,220
Science and Technology Authority	
Infrastructure	1,868
Total Discretely Presented Component Units	<u>\$ 151,443</u>

7. RETIREMENT PLANS

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

As of June 30, 2009, the number of participating governmental employers was:

School Districts	172
State of South Dakota	1
Board of Regents	1
Municipalities	144
Counties	64
Boards and Commissions	86
Total Employers	<u>468</u>

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

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2009. Fair values were determined based on closing market prices at June 30, 2009 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Purchases and sales are recorded as of the trade date.

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

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

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

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

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

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

Contributions during fiscal year 2009 totaling \$189,702,433 (\$95,457,518 employee and \$94,244,915 employer) were made in accordance with statutory rates. These contributions represent 13.1% 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 2008 and 2007 were \$89,766,090 and \$85,361,762 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, 2009 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, 2009, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2010	\$ 645
2011	454
2012	356
2013	278
2014	210
Later	42
	1,985
Less interest	285
Total	<u>\$ 1,700</u>

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

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

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

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2009 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. At June 30, 2009 the fair value of net assets held in trust for pension benefits was \$35,680,360.

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

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, 2009. 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, 2009 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$1,631,174 and \$23,566, respectively. On June 30, 2009 participants in the plan consisted of the following:

Active Participants	40
Vested Terminated Participants	5
Retired Participants and Beneficiaries	212

Investments are carried at fair value to properly reflect asset values at June 30, 2009. Contributions are made by active life plan participants at 5% of their salaries. Over the past six years there have been no employer annual required contributions. As of June 30, 2009, the plan is underfunded by \$5.6 million, based on the actuarial assumptions used.

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

Fiscal Year Ended June 30	Actuarially Net Assets Available For Benefits	Entry Age Normal Assets in Accrued Liability (AAL)	Percent Funded (1)/(2)	Annual Excess of AAL (1)-(2)	Annual Covered Payroll	Assets in Excess Of AAL as a Percent of Covered Payroll (4)/(5)
2004	62,477	48,597	128.6	13,880	2,717	510.8
2005	66,065	49,885	132.4	16,180	2,698	599.8
2006	69,259	52,534	131.8	16,725	2,254	742.1
2007	76,357	53,395	143.0	22,962	2,010	1,142.2
2008	68,209	54,703	124.7	13,506	1,696	796.6
2009	48,578	54,144	89.7	(5,566)	1,631	(341.2)

8. DEFERRED COMPENSATION PLAN

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

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

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

9. SPECIAL PAY PLAN

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

Of the \$16,096,014 net assets available for plan benefits at June 30, 2009, \$9,277,490 was held in trust for employees of the State while the remaining \$6,818,524 represents the assets held in trust for employees of other jurisdictions. The assets of the special pay plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

10. OTHER POST EMPLOYMENT BENEFITS

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

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

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

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

The State operates an agent multiple defined employer retiree benefit plan which provides medical insurance benefits for retirees. There were 787 retirees as of July 1, 2008. The State has a self-insured health plan with the choice of three different deductibles for the participants to choose from.

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

Annual OPEB Cost and Net OPEB Obligation: The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 3.0% discount rate. For year ending June 30, 2009, the state's ARC is \$7,676,492.

The following table shows the components of the state's annual OPEB cost for the year, the amount contributed to the plan, and the changes to the state's net OPEB obligation. Because Higher Education is a discretely presented component unit that contributes 35% of the revenue for active employees 35% of the Net OPEB Obligation was reported by Higher Education.

Annual Required Contribution (ARC)	\$ 7,676,492
Interest on Net OPEB Obligation (NOO)	177,736
Amortization Adjustment to ARC	(293,440)
Annual OPEB Cost (Expense)	7,560,788
Contributions	(2,999,822)
Increase in Net OPEB Obligation (NOO)	4,560,966
NOO, Beginning Balance	5,924,549
NOO, Ending	\$ 10,485,515

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$9,429,305	37.17%	\$5,924,549
2009	\$7,560,788	39.68%	\$10,485,515

Funded Status and Funding Progress: As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$67.1 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll for active employees was \$617.2 million and the ratio of the UAAL to the covered payroll was 10.87%.

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

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

As of the July 1, 2008 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumption included a 3.0% discount rate based on the estimated long-term investment yield on the general assets of the State. The annual medical trend rate is assumed to grade from 7.67 percent to 5.0 percent in 2012 and to remain at that level for all future years. This trend curve reflects current general medical trend and an assumption that trend rates will gradually lower over the next 5 years.

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

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

The following is a schedule of funding progress (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL)* (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2007	\$0	\$76,406,237	\$76,406,237	0%	\$591,271,605	12.92%
07/01/2008	\$0	\$67,080,768	\$67,080,768	0%	\$617,186,072	10.87%

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

11. COMMITMENTS

Construction and Other Commitments: At June 30, 2009 the Department of Transportation had contractual construction commitments of \$264,038,058 for various highway projects and maintenance commitments (including stockpile) of \$3,810,290. 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 \$117,459,566 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	\$34,995,848
Drinking Water State Revolving Fund	\$56,509,239
Water and Environment Fund Program	\$16,898,847
Federal Funds	\$ 9,055,632

The Building Authority has contracts and other construction commitments of \$83,529,286.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$41,968,108. Financing for these commitments will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of \$24,415,831. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans

Value-Added Agriculture Sub Fund	\$ 467,198
REDI Fund Loans	\$ 4,685,056
SD Economic Development Authority	\$ 325,000

Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	\$ 528,900
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Community Development Block Grant (CDBG)	\$ 10,727,761
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Future Fund Program	\$ 5,509,925
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Energy Loans	\$ 2,171,991
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The South Dakota Science and Technology Authority had a contractual commitment of \$2,200,268 for the Homestake Mine re-entry project (Yates Shaft).

12. SELF-INSURANCE

A. Workers' Compensation Benefits and Unemployment Insurance

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

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$13,663,000 at June 30, 2009. The Workers' Compensation Fund liability at June 30, 2009 and the changes to the liability during fiscal years ended June 30, 2009 and 2008 listed on the following page were as follows (expressed in thousands):

	<u>FY2009</u>	<u>FY2008</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 13,247	\$ 15,515
Incurring claims and claim adjustment expenses		
Provision for insured events of current fiscal year	1,577	3,383
Changes in provision for insured events of prior fiscal years	<u>6,756</u>	<u>(2,205)</u>
Total incurred claims and claim adjustment expenses	<u>8,333</u>	<u>1,178</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,306	837
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>2,159</u>	<u>2,609</u>
Total payments	<u>3,465</u>	<u>3,446</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 18,115</u>	<u>\$ 13,247</u>

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Fund, reported as an internal service fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of fiscal year 2009, \$725,000 of the net assets balance in the Self-Insurance Fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2009 and the changes to the liability during fiscal years ended June 30, 2009 and 2008 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2009	FY2008	FY2009	FY2008
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 10,582	\$ 9,988	\$ 639	\$ 340
Incurred claims and claim adjustment expenses	83,457	85,757	2,812	3,193
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	73,070	75,175	2,688	2,554
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	10,582	9,988	639	340
Total payments	83,652	85,163	3,327	2,894
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 10,387	\$ 10,582	\$ 124	\$ 639

C. Public Entity Pool for Liability

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

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

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2009, \$4,841,000 of the net assets balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2009 and the changes to the liability during fiscal years ended June 30, 2009 and 2008 were as follows (expressed in thousands):

	FY2009	FY2008
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,070	\$ 3,478
Incurring claims and claim adjustment expenses		
Provision for insured events of current fiscal year	893	405
Changes in provision for insured events of prior fiscal years	1,794	2,038
Total incurred claims and claim adjustment expenses	2,687	2,443
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	154	225
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,569	1,626
Total payments	1,723	1,851
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 5,034	\$ 4,070

D. Risk Management

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

13. OPERATING LEASES

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

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2009 (expressed in thousands):

Year Ending June 30,	Primary Government	Component Units
2010	\$ 6,184	\$ 1,194
2011	5,635	623
2012	4,742	333
2013	3,549	266
2014	2,654	235
2015-2019	7,636	168
2020-2024	2,709	162
2025-2029	2,085	67
2030-2034	1,301	
Total Minimum Payments	\$ 36,495	\$ 3,048

The total rental expenses for all operating leases for the fiscal year ended June 30, 2009 was \$10,619,230 for the primary government and \$1,664,340 for component units.

14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2009 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance (restated)	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	\$ 304,586	\$ 2,175	\$ (24,516)	\$ 282,245	\$ 8,678
Less Unamortized Discount	(2,142)		93	(2,049)	(5)
Less Deferred Loss on Refunding	(1,052)		252	(800)	(207)
Add Unamortized Premium	1,271	45	(211)	1,105	211
Net Revenue Bonds	302,663	2,220	(24,382)	280,501	8,677
Trust Certificates	26,870		(2,435)	24,435	2,540
Compensated Absences	49,364	32,860	(32,565)	49,659	26,219
Policy Claims Liability	4,071	2,686	(1,724)	5,033	1,537
Workers Compensation	13,461	8,385	(3,506)	18,340	2,724
Capital Leases	30,971	4,728	(6,067)	29,632	5,591
Pollution Remediation Obligation	12,000		(1,050)	10,950	935
Escheat Property	2,561	3,330	(2,824)	3,067	902
Net OPEB Obligation	3,851	4,915	(1,950)	6,816	
Total Governmental Activities	\$ 445,812	\$ 59,124	\$ (76,503)	\$ 428,433	\$ 49,125
Business-type Activities					
Revenue Bonds	\$ 134,440	\$	\$ (4,475)	\$ 129,965	\$ 4,635
Less Unamortized Discount	(96)		8	(88)	(8)
Less Deferred Loss on Refunding	(878)		167	(711)	(167)
Add Unamortized Premium	2,059		(128)	1,931	128
Net Revenue Bonds	135,525		(4,428)	131,097	4,588
Compensated Absences	1,100	724	(640)	1,184	630
Total Business-type Activities	\$ 136,625	\$ 724	\$ (5,068)	\$ 132,281	\$ 5,218
Component Units					
Revenue Bonds	\$ 2,120,418	\$ 580,587	\$ (336,487)	\$ 2,364,518	\$ 116,762
Less Deferred Loss on Refunding	(3,577)		305	(3,272)	(128)
Add Unamortized Premium	16,877	2,998	(2,276)	17,599	279
Net Revenue Bonds	2,133,718	583,585	(338,458)	2,378,845	116,913
Trust Certificates	290		(290)		
Compensated Absences	36,052	13,403	(12,193)	37,262	10,605
Capital Leases	1,768	2,211	(1,858)	2,121	1,337
Rural Development Loans	4,043	550	(184)	4,409	188
Federal Portion of Perkins Loan Program	36,229	69		36,298	
Net OPEB Obligation	2,074	2,646	(1,050)	3,670	
Other Liabilities	790		(27)	763	
Total Component Units	\$ 2,214,964	\$ 602,464	\$ (354,060)	\$ 2,463,368	\$ 129,043

Revenue Bonds and Trust Certificates

A. Governmental Activities

1. South Dakota Building Authority

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

The SDBA sold trust certificates to a trustee bank and assigned the right to receive lease rental payments over to the trustee bank. The principal and interest payments on the certificates are payable solely from amounts payable by the State under lease agreements. The certificates are not an indebtedness of the State within the meaning of any constitutional or statutory debt limit, nor may the certificates be a claim against the property of the SDBA.

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

Following are SDBA bonds and trust certificates outstanding at June 30, 2009 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
1996A	2016	5.800%-5.950%	\$ 6,326
1996C	2009	5.100%-5.250%	708
1999	2019	4.500%-5.125%	922
2003	2015	4.000%-5.000%	678
2005B	2026	3.250%-5.000%	7,336
2006A	2026	4.250%-5.000%	12,220
2006B	2013	4.250%-5.000%	24,070
2006C	2013	5.550%	1,150
2007	2032	4.250%-5.000%	5,506
2008	2033	4.000%-5.000%	2,106
Add Unamortized Premium			1,105
Less Unamortized Discount			(56)
Less Deferred Loss on Refunding			(800)
Total Bonds			61,271
Trust Certificate Series:			
1991 (A&B)	2016	6.625%-6.750%	5,455
1993 (A&B)	2017	6.625%-6.700%	18,980
Total Trust Certificates			24,435
Total			\$ 85,706

As of June 30, 2009, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2010	\$ 11,218	\$ 3,988	\$ 15,206
2011	11,112	3,398	14,510
2012	10,943	2,811	13,754
2013	10,409	2,239	12,648
2014	6,617	4,935	11,552
2015-2019	22,271	14,415	36,686
2020-2024	7,780	2,255	10,035
2025-2029	5,104	401	5,505
Total	\$ 85,454	\$ 34,442	\$ 119,896

2. Educational Enhancement Funding Corporation

During the 2001 Legislative session, the Legislature authorized the South Dakota Building Authority to provide for the establishment of a corporation for the purpose of selling a portion or all of the State's rights, title and interest in the proceeds of the tobacco companies master settlement agreement. On July 26, 2002 the Educational Enhancement Funding Corporation was created pursuant to South Dakota Codified Law 5-12-48 through 5-12-60. The State of South Dakota gave up its rights to any proceeds of the tobacco companies master settlement agreement while the bonds are outstanding, or over the term of the bonds, whichever is shorter.

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2009 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	\$ 91,683
2002B	2032	6.50%	129,540
Less Unamortized Discount			(1,993)
Total			<u><u>\$ 219,230</u></u>

As of June 30, 2009, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2010	\$	\$ 14,581	\$ 14,581
2011		14,581	14,581
2012		14,581	14,581
2013		14,581	14,581
2014		14,581	14,581
2015-2019	28,843	70,262	99,105
2020-2024	50,295	56,964	107,259
2025-2029	78,585	36,889	115,474
2030-2032	63,500	8,450	71,950
Total	<u><u>\$ 221,223</u></u>	<u><u>\$ 245,470</u></u>	<u><u>\$ 466,693</u></u>

B. Business-type Activities

South Dakota Conservancy District - State Revolving Funds

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

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of \$3.7 million and \$2.8 million, respectively.

The following is a schedule of outstanding bonds as of June 30, 2009 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1996A	2017	5.63%	\$ 100
2001	2022	4.00%-5.00%	3,460
2004	2017	2.50%-5.25%	7,140
2005	2026	3.25%-5.00%	38,695
2008	2029	2.35%	21,960
Less Unamortized Deferred Loss on Refunding			(711)
Less Unamortized Discount			(21)
Add Unamortized Premium			1,151
Total			71,774
Drinking Water State Revolving Fund			
1998A	2019	4.40%-5.00%	4,250
2001	2022	4.00%-5.00%	4,145
2004	2025	3.00%-5.25%	24,285
2005	2026	3.25%-5.00%	7,890
2008	2029	2.35%	18,040
Less Unamortized Discount			(67)
Add Unamortized Premium			780
Total			59,323
Total Revenue Bonds			\$ 131,097

As of June 30, 2009, 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			
2010	\$ 2,820	\$ 2,706	\$ 5,526
2011	3,665	2,914	6,579
2012	3,800	2,772	6,572
2013	3,970	2,620	6,590
2014	3,405	2,474	5,879
2015-2019	17,385	10,156	27,541
2020-2024	19,125	6,083	25,208
2025-2029	15,665	1,692	17,357
2030	1,520	33	1,553
Total	71,355	31,450	102,805
Drinking Water State Revolving Fund			
2010	1,815	2,618	4,433
2011	2,495	2,534	5,029
2012	2,595	2,432	5,027
2013	2,720	2,322	5,042
2014	2,830	2,206	5,036
2015-2019	16,005	8,988	24,993
2020-2024	17,495	4,912	22,407
2025-2029	11,405	1,179	12,584
2030	1,250	27	1,277
Total	58,610	27,218	85,828
Total	\$ 129,965	\$ 58,668	\$ 188,633

C. Component Units

1. South Dakota Housing Development Authority

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

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2009 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program			
	2009-2045	.23%-6.25%	
Serial Bonds			\$ 423,810
Term Bonds			1,454,698
Add Unamortized Premium			13,354
Less Deferred Loss on Refunding			(1,035)
Total			<u>1,890,827</u>
Multifamily Housing Trust Funds			
	2010-2048	.43%-5.15%	
Serial Bonds			12,230
Term Bonds			35,670
Less Deferred Loss on Refunding			(769)
Total			<u>47,131</u>
Multifamily Housing Revenue Bonds			
	2010-2044	.29%-6.15%	
Serial Bonds			3,137
Term Bonds			26,670
Total			<u>29,807</u>
Multifamily Mortgage Pass-Through Term Bonds			
	2010-2017	3.75%-8.50%	
			<u>11,981</u>
Multifamily Risk Sharing Bonds			
	2010-2043	4.15%-5.85%	
Serial Bonds			140
Term Bonds			13,465
Total			<u>13,605</u>
Total Bonds			<u><u>\$ 1,993,351</u></u>

As of June 30, 2009, debt service requirements for principal and interest for the SDHDA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2010	\$ 103,755	\$ 82,984	\$ 186,739
2011	44,468	80,038	124,506
2012	47,207	78,268	125,475
2013	50,567	76,366	126,933
2014	49,575	74,254	123,829
2015-2019	260,104	335,631	595,735
2020-2024	267,986	270,706	538,692
2025-2029	289,730	201,078	490,808
2030-2034	491,750	123,314	615,064
2035-2039	250,255	29,611	279,866
2040-2044	10,220	9,379	19,599
2045-2049	116,183	1,682	117,865
Total	<u>\$ 1,981,800</u>	<u>\$ 1,363,311</u>	<u>\$ 3,345,111</u>

2. Conservation Reserve Enhancement Program

The South Dakota Building Authority (SDBA) administers the Conservation Reserve Enhancement Program (CREP) and issues taxable revenue bonds for the CREP Program. 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 SDBA will be used by the trustee to make the debt service payments on the bonds. Bonds of the SDBA 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 SDBA.

The following is a schedule of bonds outstanding for the CREP Program as of June 30, 2009 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2009	6.50%	\$ 30

As of June 30, 2009, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2010	\$ 30	\$ 1	\$ 31

3. South Dakota Economic Development Finance Authority

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

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

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2009, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$2,825,625.

The following is a schedule of outstanding bonds as of June 30, 2009 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2018	5.50%	\$ 650
1999A	2010-2019	5.25%-5.50%	1,500
2003A	2013	4.75%-5.25%	1,180
2004A	2011-2029	4.375%-6.00%	4,460
2004B	2011-2024	4.375%-5.95%	2,995
2005A	2016-2026	5.25%-6.05%	4,430
2008	2015-2028	3.80%-5.875%	7,390
Total			\$ 22,605

As of June 30, 2009, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2010	\$ 1,065	\$ 1,280	\$ 2,345
2011	1,120	1,231	2,351
2012	1,185	1,178	2,363
2013	1,240	1,118	2,358
2014	960	1,054	2,014
2015-2019	5,600	4,412	10,012
2020-2024	6,190	2,744	8,934
2025-2029	5,245	849	6,094
Total	\$ 22,605	\$ 13,866	\$ 36,471

4. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2009 equaled \$10,149,898.

Following are revenue bonds outstanding at June 30, 2009 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
School of Mines and Technology			
2003	2033	2.350%-5.300%	\$ 7,115
2008B	2028	4.550%	4,135
2009	2039	2.150%-6.250%	10,140
University of South Dakota			
2003	2028	2.000%-4.625%	13,700
2005	2030	4.000%-5.000%	12,120
2009	2039	2.150%-6.250%	44,475
Add Unamortized Premium			192
South Dakota State University			
2004	2024	2.500%-5.000%	25,190
2005A	2030	4.000%-5.000%	2,770
2006	2060	3.920%	7,170
2009	2039	2.150%-6.250%	34,270
Less Deferred Loss on Refunding			(568)
Add Unamortized Premium			979
Northern State University			
2004A	2029	3.000%-5.000%	5,580
2008B	2028	4.550%	1,095
2009	2039	2.150%-6.250%	1,440
Less Deferred Loss on Refunding			(92)
Add Unamortized Premium			150
Dakota State University			
2004	2025	3.000%-5.000%	2,795
2007	2029	3.760%	390
2008	2028	3.760%	4,605
Less Deferred Loss on Refunding			(118)
Add Unamortized Premium			100
Black Hills State University			
2004	2023	4.000%	4,165
2004A	2026	3.000%-5.000%	2,955
2006	2026	3.920%	1,175
2007	2029	3.880%	8,150
Less Deferred Loss on Refunding			(85)
Add Unamortized Premium			93
Total			\$ 194,086

As of June 30, 2009, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2010	\$ 5,095	\$ 8,224	\$ 13,319
2011	5,840	8,419	14,259
2012	6,705	8,230	14,935
2013	7,100	8,010	15,110
2014	7,260	7,757	15,017
2015-2019	40,290	34,198	74,488
2020-2024	47,315	24,290	71,605
2025-2029	39,195	13,852	53,047
2030-2034	26,410	5,656	32,066
2035-2039	8,225	1,029	9,254
Total	\$ 193,435	\$ 119,665	\$ 313,100

b. South Dakota Building Authority (Higher Education Portion)

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

Following is a schedule of bonds outstanding at June 30, 2009 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1996C	2009	5.000%-5.250%	\$ 347
1999	2019	4.500%-5.125%	638
2000	2010	6.150%-6.500%	430
2002	2026	4.400%-5.750%	4,180
2003	2015	2.500%-5.000%	7,802
2003A	2028	2.000%-5.000%	14,350
2005C	2029	3.500%-5.000%	16,520
2006A	2026	4.250%-5.000%	3,270
2007	2032	4.250%-5.000%	47,745
2008A	2033	4.000%-5.000%	71,365
Less Deferred Loss on Refunding			(605)
Add Unamortized Premium			2,731
Total Revenue Bonds			\$ 168,773

As of June 30, 2009, 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
2010	\$ 6,817	\$ 7,659	\$ 14,476
2011	7,105	7,347	14,452
2012	6,765	7,037	13,802
2013	6,637	6,736	13,373
2014	6,373	6,460	12,833
2015-2019	32,035	27,960	59,995
2020-2024	35,955	20,099	56,054
2025-2029	38,920	11,627	50,547
2030-2034	26,040	3,069	29,109
Total	\$ 166,647	\$ 97,994	\$ 264,641

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, 2009 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government	
	Governmental Activities	Component Units
2010	\$ 6,845	\$ 1,439
2011	5,848	706
2012	4,665	119
2013	3,022	0
2014	1,804	0
2015-2019	7,551	0
2020-2024	6,956	0
2025-2029	502	0
Total Minimum Lease Payments	37,193	2,264
Less: Amount Representing Interest	7,561	143
Present Value of Net Minimum Lease Payments	\$ 29,632	\$ 2,121

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, 2009 are as follows (expressed in thousands):

	Primary Government
	Governmental Activities
Buildings	\$ 42,418
Equipment	1,439
Vehicles	13,727
Total	57,584
Less Accumulated Depreciation	19,227
Total, Net	\$ 38,357

Conduit Debt Obligations

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

1. South Dakota Value Added Finance Authority

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

As of June 30, 2009, there were 220 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2009 could not be determined; however, the original issue amount totaled \$28,696,601.

As of June 30, 2009, there were 6 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2009 could not be determined; however, the original issue amount totaled \$18,439,525.

As of June 30, 2009, there were 20 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2009 could not be determined; however, the original issue amount totaled \$6,659,765.

As of June 30, 2009, there were 17 Agribusiness Relending Loans outstanding. The aggregate principal amount payable on June 30, 2009 could not be determined; however, the original issue amount totaled \$1,515,900.

2. South Dakota Economic Development Finance Authority

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

As of June 30, 2009, the aggregate amount of stand-alone bond principal outstanding was \$26,768,538. The original issue amount of stand-alone bonds totaled \$30,870,000.

Refunded Bonds

The Building Authority has defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2009, \$16,530,000 of the Building Authority bonds outstanding is considered defeased.

Pollution Remediation Obligations

The State of South Dakota has pollution remediation obligation liabilities as of June 30, 2009 of \$10.95 million.

1. Gilt Edge Superfund Site

The State of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Brohm Mine, the Gilt Edge Superfund Site in Lawrence County. The EPA's current estimate of total clean up cost is \$105 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site or \$10.5 million. The State has already spent approximately \$5.45 million with a remaining outstanding liability as of June 30, 2009 of \$5.05 million. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.8 million, but will grow with future penalties collected for environmental violations deposited into the fund and interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site and use the reclamation bond to pay 100% of the ongoing water treatment costs. The State had a cash balance of approximately \$6.8 million as of June 30, 2009 from the cash reclamation bond deposited by Brohm. However, actual costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

2. Petroleum Release Compensation Fund

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. This fund and the requirement that the State provide reimbursement was established under SDCL 34A-13 and 34A-14. As of June 30, 2009, PRCF was currently involved with 129 active cases, 88 active/monitoring cases, and 11 pending cases (spill report not yet filed), for a total of 228 cases. The cost remaining for sites that have received at least one payment is \$1,700,000, the cost for sites that haven't received any payments is \$3,600,000 and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2009 for this program is \$5,900,000.

15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented in natural classifications. The following table presents those same expenses in functional classifications as of June 30, 2009 as recommended by the National Association of College and University Business Officers (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation
Instruction	\$	\$ 2,471	\$ 11,322	\$	\$ 501	\$	\$ 2,428
Research	38,657	2,629	14,051	6,898	7,730	223	3,314
Public Service	26,771	1,463	4,227	4,120	1,604		241
Academic Support	33,931	731	4,023	4,745	19	4	1,230
Student Services	23,436	4,784	6,487	3,870	827	55	360
Institutional Support	33,162	901	22,078	4,371	3,570	513	7,064
O&M of Plant	14,345	192	18,459	14,049	8	5	8,868
Scholarships and Fellowships	1,032	15	4	127	21,478	360	
Auxiliary Enterprises	11,233	102	21,781	12,550	261		856
Other Expenses						137	1,320
Unallocated Depreciation							33
Total	\$ 330,063	\$ 13,288	\$ 102,432	\$ 57,998	\$ 35,998	\$ 1,297	\$ 25,714

16. FUND BALANCES AND NET ASSETS

Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$1.20 billion of restricted net assets for the primary government of which \$116.4 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Funds Held as Permanent Investments

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in special revenue funds for this purpose have their principal balance reserved in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide Statement of Net Assets the principal balance is shown as unexpendable and the investment earnings remaining in these funds at June 30, 2009 is shown as expendable.

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

- **Health Care Trust Fund.** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature."
- **Permanent Fund.** This fund is administered by the Department of School and Public Lands and accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

These balances at June 30, 2009 are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Dakota Cement Trust	\$ 0	\$ 194,951	\$ 194,951
Education Enhancement Trust	0	302,488	302,488
Health Care Trust	0	82,341	82,341
Permanent	626	22,986	23,612
Total	\$ 626	\$ 602,766	\$ 603,392

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2009 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 13,663
Special Revenue:	
Office of History – Other	\$ 60
Fire Suppression	1,624
Law Enforcement Revolving	90
Public Safety – Other	167
PUC Hearing	76
Military Affairs - Federal	97

17. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2009, the State provided \$19,142,000 in General Fund state aid payments to the technical institutes.

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

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

18. RELATED PARTY TRANSACTIONS

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

The University of South Dakota subcontracted research awards totaling \$4,652,201 to Sanford Research/USD. The research conducted included areas of prenatal alcohol in sudden infant death syndrome, fetal alcohol syndrome prevention project, breast cancer cells project, mechanisms of cardiovascular remodeling and SD signal transduction center. The funding sources were the US Department of Health and Human Services for \$4,051,730 and the remaining was funded from SD Governor's Research and Commercialization Council.

The South Dakota Development Corporation (SDDC) was created under the South Dakota Nonprofit Corporation Act with the Secretary of State's office. The SDDC is a South Dakota non-profit corporation and a Certified Development Company created for the purpose of administering the U.S. Small Business Administration's (SBA) 503/504 loan programs and the Microloan Program. The Microloan Program was formed as a partnership between Citibank (South Dakota) N.A., the SDDC and The South Dakota Department of Tourism and State Development (SDDTSD). Citibank is no longer a part of this partnership. The SDDTSD has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. The SDDTSD provides these services out of SDDTSD funds. The SDDTSD grants are provided to SDDC to be used for loans to businesses in South Dakota. The purpose of the SBA's 503/504 loan program and the Microloan program, is to help facilitate economic development and the creation of jobs in South Dakota. These loans are used to assist companies either operating in the state or moving to the State. Businesses use the loan funds to expand their operations, improve their facilities, or set up operations in South Dakota. There were nine 503/504 loans awarded during FY09 totaling \$3,340,000. Funding for these loans came from the SBA. In addition, the SDDTSD's Revolving Economic and Development Initiative fund board has loaned out \$714,944.43 as of 6/30/09 for the Microloan Program loans.

19. CONTINGENCIES AND LITIGATION

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

The contingent liabilities at June 30, 2009 are as follows:

Loren Pourier, d/b/a Muddy Creek Oil and Gas, Inc., and Muddy Creek Oil and Gas, Inc. v. South Dakota Department of Revenue. Pourier brought a motor fuel tax refund action contesting the payment of taxes accruing from July, 1995 through January, 2000, in the amount of \$937,819.75 plus interest which would accrue at the rate of 1.25 percent per month. The Supreme Court held that the Department of Revenue could not impose the state motor fuel tax on an enrolled tribal member or a tribe on Indian country controlled by the enrolled tribal member's tribe or the tribe. The court ruled that a fifteen month statute of limitations applies. The case was remanded from the South Dakota Supreme Court back to the Circuit Court for additional proceedings. The Circuit Court then remanded the matter to the South Dakota Department of Revenue and Regulation for additional administrative proceedings. On April 24, 2008, the Secretary of the Department of Revenue and Regulation entered an Amended Final Decision whereby Pourier's Motion for Leave to Amend Pleadings to be recognized as a class representative on behalf of all similarly situation persons was denied and the Department's Motion to Dismiss was denied. The Sixth Judicial Circuit Court, Hughes County, Judge Brown affirmed the Secretary's decision on February 13, 2009. Pourier appealed to the South Dakota Supreme Court. On February 3, 2010, the Supreme Court affirmed the circuit court's decision. Consistent with this opinion, the Department of Revenue and Regulation will go before the Transportation Commission and request earmarking \$1,222,059.00 in highway funds for highway, road, and bridge projects in Indian Country for the Oglala Sioux Tribe.

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

Davis et al. v. State of South Dakota et al. In June of 2006, Plaintiffs sued the State, the Governor, the Department of Education, the Board of Education and the Treasurer, in Circuit Court, Hughes County, claiming that the education being provided to South Dakota students in public K-12 schools is inadequate and therefore violates the South Dakota Constitution. The lawsuit is based on an "adequacy study" paid for by various education groups which claims that public K-12 education in South Dakota is under funded by approximately \$100 million to \$400 million per year. The Attorney General's Office has represented the Defendants since the lawsuit was filed. A court trial was held and on April 7, 2009, the trial court entered a preliminary ruling in favor of the State on all counts. The trial court previously ruled that it cannot order the Legislature to appropriate more money to education. A final circuit court decision was issued on June 9, 2009. An appeal to the Supreme Court has been filed. Counsel for the State is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Yankton Sioux Tribe v. United States Army Corps of Engineers. In this case, pending since 2002, the Tribe is alleging that lands already transferred to the State of South Dakota under Title VI are invalid and should be set aside and any further transfers prohibited because the lands are within the existing boundaries of the Yankton Sioux Reservation. The probable worth of the lands and the improvements already transferred exceeds \$1,000,000. In March of 2008 the District Court granted Summary Judgment in favor of the State and Army Corps of Engineers. The Tribe has filed a Notice of Appeal in the 8th Circuit. Oral arguments were held May 11, 2009. If the decision is unfavorable, it could have a material impact on the State's General Fund.

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

20. SUBSEQUENT EVENTS

Housing Authority

In November of 2009, the Authority issued \$75,000,000 of Homeownership Mortgage Bonds Series 2009 B/C. The Bonds will mature on May 1, 2010 through May 1, 2039.

In January of 2010, the Authority issued \$193,100,000 of Single Family Mortgage Bonds 2009 Series 1.

Building Authority

On July 14, 2009, the Building Authority issued the Series 2009 Revenue Bonds in the amount of \$13,585,000 to finance construction and equipping of the University Center – Black Hills in Rapid City, South Dakota.

Finance Authority

In July of 2009, the Finance Authority issued \$3,000,000 of Angus Bond Series 2009A & B.

Department of Environment and Natural Resources

In August of 2009, the Department issued \$37,000,000 of Clean Water State Revolving Fund Bond Anticipation Notes, Series 2009. Proceeds from the bonds will fund projects of the Clean Water State Revolving Fund Program.

In August of 2009, the Department issued \$18,000,000 of Drinking Water State Revolving Fund Bond Anticipation Notes, Series 2009. Proceeds from the bonds will fund projects of the Drinking Water State Revolving Fund Program.



REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Transportation Fund

Budgetary Comparison Schedule – Social Services Federal Fund

Budgetary Comparison Schedule Budget-to-GAAP Reconciliation

Notes to Required Supplementary Information – Budgetary Reporting

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
DEPARTMENT OF EXECUTIVE MANAGEMENT				
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,817	\$ 1,728	\$ 1,728	\$ 0
Operating Expenses	532	703	703	0
TOTAL	2,349	2,431	2,431	0
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	18	18	0
TOTAL	100	18	18	0
LIEUTENANT GOVERNOR				
Personal Services	19	19	19	0
Operating Expenses	14	14	14	0
TOTAL	33	33	33	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	607	607	607	0
Operating Expenses	326	326	324	2
TOTAL	933	933	931	2
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	8,518	8,518	8,518	0
TOTAL	8,518	8,518	8,518	0
SDDS, INC SETTLEMENT				
Personal Services	0	0	0	0
Operating Expenses	11	11	0	11
TOTAL	11	11	0	11
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	729	729	729	0
TOTAL	729	729	729	0
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	628	628	628	0
TOTAL	628	628	628	0
CENTRAL SERVICES				
Personal Services	169	137	137	0
Operating Expenses	239	271	271	0
TOTAL	408	408	408	0
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	0	0	0	0
Operating Expenses	8,909	8,909	8,895	14
TOTAL	8,909	8,909	8,895	14
OFFICE OF HEARING EXAMINERS				
Personal Services	310	209	209	0
Operating Expenses	86	187	187	0
TOTAL	396	396	396	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
PEPL FUND ADMINISTRATION -				
INFORMATIONAL				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	0	0	0	0
TOTAL	0	0	0	0
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,633	2,633	2,633	0
Operating Expenses	2,172	2,172	2,172	0
TOTAL	4,805	4,805	4,805	0
STATE RADIO ENGINEERING				
Personal Services	567	567	567	0
Operating Expenses	903	903	895	8
TOTAL	1,470	1,470	1,462	8
PERSONNEL MANAGEMENT AND				
EMPLOYEE BENEFITS				
Personal Services	192	192	192	0
Operating Expenses	67	67	67	0
TOTAL	259	259	259	0
SOUTH DAKOTA RISK POOL				
Personal Services	85	85	85	0
Operating Expenses	625	625	625	0
TOTAL	710	710	710	0
DEPARTMENT TOTAL, EXECUTIVE				
MANAGEMENT				
Personal Services	6,399	6,177	6,177	0
Operating Expenses	23,859	24,081	24,046	35
TOTAL	30,258	30,258	30,223	35
DEPARTMENT OF REVENUE AND REGULATION				
SECRETARIAT				
Personal Services	112	121	120	1
Operating Expenses	259	385	384	1
TOTAL	371	506	504	2
PROPERTY AND SPECIAL TAXES				
Personal Services	779	770	766	4
Operating Expenses	1,230	1,204	775	429
TOTAL	2,009	1,974	1,541	433
AUDIT				
Personal Services	165	65	0	65
Operating Expenses	28	28	0	28
TOTAL	193	93	0	93
DEPARTMENT TOTAL, REVENUE				
AND REGULATION				
Personal Services	1,056	956	886	70
Operating Expenses	1,517	1,617	1,159	458
TOTAL	2,573	2,573	2,045	528

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
DEPARTMENT OF AGRICULTURE				
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	\$ 473	\$ 563	\$ 563	\$ 0
Operating Expenses	236	236	233	3
TOTAL	709	799	796	3
AGRICULTURAL SERVICES				
Personal Services	1,351	1,351	1,351	0
Operating Expenses	979	1,621	1,621	0
TOTAL	2,330	2,972	2,972	0
AGRICULTURAL DEVELOPMENT				
Personal Services	861	771	771	0
Operating Expenses	1,070	1,070	1,067	3
TOTAL	1,931	1,841	1,838	3
ANIMAL INDUSTRY BOARD				
Personal Services	1,601	1,511	1,511	0
Operating Expenses	316	406	406	0
TOTAL	1,917	1,917	1,917	0
STATE FAIR				
Personal Services	768	674	674	0
Operating Expenses	1	95	95	0
TOTAL	769	769	769	0
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	5,054	4,870	4,870	0
Operating Expenses	2,602	3,428	3,422	6
TOTAL	7,656	8,298	8,292	6
DEPARTMENT OF TOURISM AND STATE DEVELOPMENT				
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,639	1,531	1,531	0
Operating Expenses	1,013	1,122	1,122	0
TOTAL	2,652	2,653	2,653	0
TOURISM				
Personal Services	0	0	0	0
Operating Expenses	2,127	2,127	2,098	29
TOTAL	2,127	2,127	2,098	29
DIVISION OF RESEARCH COMMERCE				
Personal Services	157	157	157	0
Operating Expenses	6,380	6,380	6,380	0
TOTAL	6,537	6,537	6,537	0
TRIBAL GOVERNMENT RELATIONS				
Personal Services	186	186	186	0
Operating Expenses	39	39	39	0
TOTAL	225	225	225	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ARTS				
Personal Services	\$ 209	\$ 209	\$ 209	\$ 0
Operating Expenses	434	434	434	0
TOTAL	643	643	643	0
HISTORY				
Personal Services	1,234	1,234	1,234	0
Operating Expenses	1,167	1,167	1,167	0
TOTAL	2,401	2,401	2,401	0
SD ENERGY INFRASTRUCTURE AUTHORITY				
Personal Services	0	0	0	0
Operating Expenses	0	0	0	0
TOTAL	0	0	0	0
DEPARTMENT TOTAL, TOURISM AND STATE DEVELOPMENT				
Personal Services	3,425	3,317	3,317	0
Operating Expenses	11,160	11,269	11,240	29
TOTAL	14,585	14,586	14,557	29
DEPARTMENT OF GAME, FISH AND PARKS CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	346	346	342	4
TOTAL	346	346	342	4
ADMINISTRATION, SECRETARY OF GAME, FISH AND PARKS				
Personal Services	84	84	84	0
Operating Expenses	1,069	1,069	1,069	0
TOTAL	1,153	1,153	1,153	0
PARKS & RECREATION				
Personal Services	3,024	3,024	3,024	0
Operating Expenses	922	1,078	1,078	0
TOTAL	3,946	4,102	4,102	0
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services	0	0	0	0
Operating Expenses	371	371	371	0
TOTAL	371	371	371	0
DEPARTMENT TOTAL, GAME, FISH AND PARKS				
Personal Services	3,108	3,108	3,108	0
Operating Expenses	2,708	2,864	2,860	4
TOTAL	5,816	5,972	5,968	4
DEPARTMENT OF SOCIAL SERVICES ADMINISTRATION				
Personal Services	3,363	3,363	3,363	0
Operating Expenses	3,481	3,481	3,481	0
TOTAL	6,844	6,844	6,844	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ECONOMIC ASSISTANCE				
Personal Services	\$ 6,566	\$ 6,643	\$ 6,643	\$ 0
Operating Expenses	17,221	17,844	17,844	0
TOTAL	23,787	24,487	24,487	0
MEDICAL AND ADULT SERVICES				
Personal Services	2,469	2,469	2,469	0
Operating Expenses	220,940	194,664	193,905	759
TOTAL	223,409	197,133	196,374	759
CHILDREN'S SERVICES				
Personal Services	8,698	8,051	8,051	0
Operating Expenses	24,026	25,545	25,382	163
TOTAL	32,724	33,596	33,433	163
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	21,096	20,526	20,526	0
Operating Expenses	265,668	241,534	240,612	922
TOTAL	286,764	262,060	261,138	922
DEPARTMENT OF HEALTH				
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	642	642	642	0
Operating Expenses	655	655	655	0
TOTAL	1,297	1,297	1,297	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,541	1,436	1,436	0
Operating Expenses	922	977	977	0
TOTAL	2,463	2,413	2,413	0
HEALTH AND MEDICAL SERVICES				
Personal Services	1,606	1,606	1,606	0
Operating Expenses	3,551	3,601	3,596	5
TOTAL	5,157	5,207	5,202	5
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,789	3,684	3,684	0
Operating Expenses	5,128	5,233	5,228	5
TOTAL	8,917	8,917	8,912	5
DEPARTMENT OF LABOR				
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	583	583	583	0
Operating Expenses	89	89	89	0
TOTAL	672	672	672	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, LABOR				
Personal Services	\$ 583	\$ 583	\$ 583	\$ 0
Operating Expenses	289	289	289	0
TOTAL	872	872	872	0
DEPARTMENT OF TRANSPORTATION				
GENERAL OPERATIONS				
Personal Services	279	279	279	0
Operating Expenses	240	240	240	0
TOTAL	519	519	519	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	279	279	279	0
Operating Expenses	240	240	240	0
TOTAL	519	519	519	0
DEPARTMENT OF EDUCATION				
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,217	1,382	1,382	0
Operating Expenses	1,114	2,295	2,295	0
TOTAL	2,331	3,677	3,677	0
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	338,274	314,885	314,885	0
TOTAL	338,274	314,885	314,885	0
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	47,640	48,960	48,960	0
TOTAL	47,640	48,960	48,960	0
ALTERNATIVE EDUCATION PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	450	450	450	0
TOTAL	450	450	450	0
NATIONAL BOARD CERTIFIED TEACHERS				
Personal Services	0	0	0	0
Operating Expenses	93	67	67	0
TOTAL	93	67	67	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	6,680	6,680	6,680	0
TOTAL	6,680	6,680	6,680	0
CAREER AND TECHNICAL EDUCATION				
Personal Services	519	519	519	0
Operating Expenses	258	258	243	15
TOTAL	777	777	762	15

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	20,487	20,487	20,487	0
TOTAL	20,487	20,487	20,487	0
NON-RECURRING POSTSECONDARY FORMULA				
Personal Services	0	0	0	0
Operating Expenses	2,048	2,048	2,048	0
TOTAL	2,048	2,048	2,048	0
ED RESOURCES				
Personal Services	1,093	963	963	0
Operating Expenses	6,091	6,079	6,079	0
TOTAL	7,184	7,042	7,042	0
EDUCATION SERVICE AGENCIES				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
STATE LIBRARY				
Personal Services	1,123	1,088	1,088	0
Operating Expenses	1,237	1,237	1,237	0
TOTAL	2,360	2,325	2,325	0
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,952	3,952	3,952	0
Operating Expenses	424,872	403,946	403,931	15
TOTAL	428,824	407,898	407,883	15
DEPARTMENT OF PUBLIC SAFETY				
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	94	144	144	0
Operating Expenses	14	14	12	2
TOTAL	108	158	156	2
ENFORCEMENT				
Personal Services	1,684	1,555	1,555	0
Operating Expenses	275	404	404	0
TOTAL	1,959	1,959	1,959	0
EMERGENCY SERVICES				
Personal Services	1,043	993	993	0
Operating Expenses	2,878	2,866	2,866	0
TOTAL	3,921	3,859	3,859	0
EMERGENCY AND DISASTER FUND				
Personal Services	0	0	0	0
Operating Expenses	0	1,917	1,917	0
TOTAL	0	1,917	1,917	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
INSPECTION AND LICENSING				
Personal Services	\$ 56	\$ 54	\$ 54	\$ 0
Operating Expenses	601	615	615	0
TOTAL	657	669	669	0
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	2,877	2,746	2,746	0
Operating Expenses	3,768	5,816	5,814	2
TOTAL	6,645	8,562	8,560	2
BOARD OF REGENTS				
REGENTS SYSTEM OFFICE				
Personal Services	3,718	3,595	3,594	1
Operating Expenses	22,240	21,390	21,389	1
TOTAL	25,958	24,985	24,983	2
SOUTH DAKOTA OPPORTUNITY SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	3,863	5,386	5,386	0
TOTAL	3,863	5,386	5,386	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	31,593	30,013	30,013	0
Operating Expenses	2,448	1,764	1,763	1
TOTAL	34,041	31,777	31,776	1
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	15,415	15,368	15,368	0
Operating Expenses	2,999	1,644	1,644	0
TOTAL	18,414	17,012	17,012	0
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	41,894	40,979	40,979	0
Operating Expenses	4,222	1,925	1,925	0
TOTAL	46,116	42,904	42,904	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	8,106	8,140	8,140	0
Operating Expenses	410	410	410	0
TOTAL	8,516	8,550	8,550	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	10,230	8,100	8,100	0
Operating Expenses	529	2,706	2,706	0
TOTAL	10,759	10,806	10,806	0
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	13,398	12,781	12,781	0
Operating Expenses	1,885	1,481	1,481	0
TOTAL	15,283	14,262	14,262	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
NORTHERN STATE UNIVERSITY				
Personal Services	\$ 10,578	\$ 10,523	\$ 10,523	\$ 0
Operating Expenses	1,551	780	780	0
TOTAL	12,129	11,303	11,303	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	7,638	7,644	7,644	0
Operating Expenses	746	170	170	0
TOTAL	8,384	7,814	7,814	0
DAKOTA STATE UNIVERSITY				
Personal Services	7,369	7,311	7,311	0
Operating Expenses	1,030	504	504	0
TOTAL	8,399	7,815	7,815	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,750	2,431	2,400	31
Operating Expenses	967	1,311	1,304	7
TOTAL	3,717	3,742	3,704	38
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,447	2,482	2,482	0
Operating Expenses	219	235	235	0
TOTAL	2,666	2,717	2,717	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	155,136	149,367	149,335	32
Operating Expenses	43,109	39,706	39,697	9
TOTAL	198,245	189,073	189,032	41
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS				
ADJUTANT GENERAL				
Personal Services	324	303	303	0
Operating Expenses	438	438	438	0
TOTAL	762	741	741	0
ARMY GUARD				
Personal Services	825	702	702	0
Operating Expenses	3,522	3,711	3,707	4
TOTAL	4,347	4,413	4,409	4
AIR GUARD				
Personal Services	157	146	146	0
Operating Expenses	199	202	202	0
TOTAL	356	348	348	0
VETERANS' BENEFITS & SERVICES				
Personal Services	813	771	771	0
Operating Expenses	1,656	1,661	1,660	1
TOTAL	2,469	2,432	2,431	1

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE VETERAN'S HOME				
Personal Services	\$ 1,423	\$ 1,423	\$ 1,423	\$ 0
Operating Expenses	1,935	2,006	2,006	0
TOTAL	3,358	3,429	3,429	0
DEPARTMENT TOTAL, MILITARY AND VETERANS AFFAIRS				
Personal Services	3,542	3,345	3,345	0
Operating Expenses	7,750	8,018	8,013	5
TOTAL	11,292	11,363	11,358	5
DEPARTMENT OF CORRECTIONS				
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	2,016	2,013	2,013	0
Operating Expenses	17,118	15,091	15,091	0
TOTAL	19,134	17,104	17,104	0
MIKE DURFEE STATE PRISON				
Personal Services	8,624	7,666	7,666	0
Operating Expenses	4,543	3,603	3,603	0
TOTAL	13,167	11,269	11,269	0
STATE PENITENTIARY				
Personal Services	13,488	11,513	11,513	0
Operating Expenses	5,115	4,338	4,338	0
TOTAL	18,603	15,851	15,851	0
WOMEN'S PRISON				
Personal Services	2,261	2,276	2,276	0
Operating Expenses	1,070	1,070	1,052	18
TOTAL	3,331	3,346	3,328	18
COMMUNITY SERVICE				
Personal Services	2,996	2,812	2,812	0
Operating Expenses	1,464	1,448	1,445	3
TOTAL	4,460	4,260	4,257	3
PAROLE SERVICES				
Personal Services	2,946	2,556	2,556	0
Operating Expenses	891	890	890	0
TOTAL	3,837	3,446	3,446	0
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,518	2,084	2,084	0
Operating Expenses	10,805	11,065	11,065	0
TOTAL	13,323	13,149	13,149	0
YOUTH CHALLENGE CENTER/LIVING CENTER				
Personal Services	1,043	1,033	1,033	0
Operating Expenses	158	132	132	0
TOTAL	1,201	1,165	1,165	0
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,314	1,322	1,322	0
Operating Expenses	122	119	119	0
TOTAL	1,436	1,441	1,441	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	\$ 2,777	\$ 2,641	\$ 2,641	\$ 0
Operating Expenses	2,519	2,231	2,231	0
TOTAL	5,296	4,872	4,872	0
QUEST/ExCEL				
Personal Services	1,390	1,398	1,398	0
Operating Expenses	146	148	148	0
TOTAL	1,536	1,546	1,546	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	41,373	37,314	37,314	0
Operating Expenses	43,951	40,135	40,114	21
TOTAL	85,324	77,449	77,428	21
DEPARTMENT OF HUMAN SERVICES				
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	723	714	714	0
Operating Expenses	332	330	330	0
TOTAL	1,055	1,044	1,044	0
DEVELOPMENTAL DISABILITIES				
Personal Services	593	453	453	0
Operating Expenses	37,755	34,009	34,009	0
TOTAL	38,348	34,462	34,462	0
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	7,515	6,109	6,109	0
Operating Expenses	2,407	2,719	2,719	0
TOTAL	9,922	8,828	8,828	0
ALCOHOL & DRUG ABUSE				
Personal Services	2,313	2,270	2,270	0
Operating Expenses	7,744	7,593	7,542	51
TOTAL	10,057	9,863	9,812	51
REHABILITATION SERVICES				
Personal Services	701	680	680	0
Operating Expenses	3,546	3,387	3,387	0
TOTAL	4,247	4,067	4,067	0
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	450	405	405	0
Operating Expenses	441	486	486	0
TOTAL	891	891	891	0
HUMAN SERVICES CENTER				
Personal Services	21,395	21,009	21,009	0
Operating Expenses	10,031	9,961	9,961	0
TOTAL	31,426	30,970	30,970	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
COMMUNITY MENTAL HEALTH				
Personal Services	\$ 542	\$ 499	\$ 499	\$ 0
Operating Expenses	14,778	14,169	14,169	0
TOTAL	15,320	14,668	14,668	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	34,232	32,139	32,139	0
Operating Expenses	77,034	72,654	72,603	51
TOTAL	111,266	104,793	104,742	51
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES				
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,874	1,874	1,874	0
Operating Expenses	451	451	451	0
TOTAL	2,325	2,325	2,325	0
ENVIRONMENTAL SERVICES				
Personal Services	3,381	3,381	3,381	0
Operating Expenses	817	817	814	3
TOTAL	4,198	4,198	4,195	3
WATER & ENVIRONMENT FUND				
Personal Services	0	0	0	0
Operating Expenses	1,000	1,000	1,000	0
TOTAL	1,000	1,000	1,000	0
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	5,255	5,255	5,255	0
Operating Expenses	2,268	2,268	2,265	3
TOTAL	7,523	7,523	7,520	3
PUBLIC UTILITIES COMMISSION				
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	490	490	490	0
Operating Expenses	71	71	56	15
TOTAL	561	561	546	15
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	490	490	490	0
Operating Expenses	71	71	56	15
TOTAL	561	561	546	15
UNIFIED JUDICIAL SYSTEM				
UNIFIED JUDICIAL SYSTEM				
Personal Services	29,759	29,189	29,157	32
Operating Expenses	5,928	6,498	6,334	164
TOTAL	35,687	35,687	35,491	196

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	\$ 29,759	\$ 29,189	\$ 29,157	\$ 32
Operating Expenses	5,928	6,498	6,334	164
TOTAL	35,687	35,687	35,491	196
LEGISLATURE				
LEGISLATIVE OPERATIONS				
Appropriation	5,439	5,439	5,311	128
TOTAL	5,439	5,439	5,311	128
LEGISLATIVE AUDIT				
Personal Services	2,577	2,577	2,463	114
Operating Expenses	345	345	331	14
Appropriation	0	0	0	0
TOTAL	2,922	2,922	2,794	128
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,577	2,577	2,463	114
Operating Expenses	345	345	331	14
Appropriation	5,439	5,439	5,311	128
TOTAL	8,361	8,361	8,105	256
ATTORNEY GENERAL				
LEGAL SERVICES				
Personal Services	4,153	4,458	4,458	0
Operating Expenses	1,051	866	866	0
TOTAL	5,204	5,324	5,324	0
CRIMINAL INVESTIGATION				
Personal Services	2,509	2,509	2,509	0
Operating Expenses	1,678	1,628	1,628	0
TOTAL	4,187	4,137	4,137	0
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	482	412	412	0
TOTAL	482	412	412	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	6,662	6,967	6,967	0
Operating Expenses	3,211	2,906	2,906	0
TOTAL	9,873	9,873	9,873	0
SCHOOL AND PUBLIC LANDS				
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	427	427	412	15
Operating Expenses	246	246	241	5
TOTAL	673	673	653	20

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	BUDGETED AMOUNTS			Variance with
	Original	Final	Actual Amounts	Final Budget
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	\$ 427	\$ 427	\$ 412	\$ 15
Operating Expenses	246	246	241	5
TOTAL	673	673	653	20
SECRETARY OF STATE				
SECRETARY OF STATE				
Personal Services	675	675	659	16
Operating Expenses	307	307	302	5
TOTAL	982	982	961	21
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	675	675	659	16
Operating Expenses	307	307	302	5
TOTAL	982	982	961	21
STATE TREASURER				
TREASURY MANAGEMENT				
Personal Services	337	337	335	2
Operating Expenses	175	175	153	22
TOTAL	512	512	488	24
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	337	337	335	2
Operating Expenses	175	175	153	22
TOTAL	512	512	488	24
STATE AUDITOR				
STATE AUDITOR				
Personal Services	1,049	1,049	1,028	21
Operating Expenses	165	165	157	8
TOTAL	1,214	1,214	1,185	29
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	1,049	1,049	1,028	21
Operating Expenses	165	165	157	8
TOTAL	1,214	1,214	1,185	29
STATE TOTAL				
Personal Services	333,132	319,329	319,027	302
Operating Expenses	926,371	873,811	872,013	1,798
APPROPRIATION	5,439	5,439	5,311	128
TOTAL	\$ 1,264,942	\$ 1,198,579	\$ 1,196,351	\$ 2,228

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 56,420	\$ 56,420	\$ 53,912	\$ 2,508
Operating Expenses	99,443	99,418	79,063	20,355
TOTAL	155,863	155,838	132,975	22,863
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	336,481	334,981	309,474	25,507
TOTAL	336,481	334,981	309,474	25,507
ENFORCEMENT				
Personal Services	13,971	12,951	12,685	266
Operating Expenses	3,404	4,424	4,318	106
TOTAL	17,375	17,375	17,003	372
FUND TOTAL, TRANSPORTATION				
Personal Services	70,391	69,371	66,597	2,774
Operating Expenses	439,328	438,823	392,855	45,968
TOTAL	\$ 509,719	\$ 508,194	\$ 459,452	\$ 48,742

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL FUND
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION				
Personal Services	\$ 4,490	\$ 4,490	\$ 4,190	\$ 300
Operating Expenses	14,694	14,694	6,138	8,556
TOTAL	<u>19,184</u>	<u>19,184</u>	<u>10,328</u>	<u>8,856</u>
ECONOMIC ASSISTANCE				
Personal Services	9,214	9,214	8,707	507
Operating Expenses	34,322	38,322	35,733	2,589
TOTAL	<u>43,536</u>	<u>47,536</u>	<u>44,440</u>	<u>3,096</u>
MEDICAL AND ADULT SERVICES				
Personal Services	5,073	5,073	4,248	825
Operating Expenses	439,220	435,820	423,658	12,162
TOTAL	<u>444,293</u>	<u>440,893</u>	<u>427,906</u>	<u>12,987</u>
CHILDREN'S SERVICES				
Personal Services	8,299	8,624	8,547	77
Operating Expenses	43,263	39,263	33,081	6,182
TOTAL	<u>51,562</u>	<u>47,887</u>	<u>41,628</u>	<u>6,259</u>
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	27,076	27,401	25,692	1,709
Operating Expenses	531,499	528,099	498,610	29,489
TOTAL	<u>\$ 558,575</u>	<u>\$ 555,500</u>	<u>\$ 524,302</u>	<u>\$ 31,198</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
Uses/Outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$1,196,351	\$459,452	\$524,302
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.	(31,873)	(9,507)	(21,311)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,533)		
To Adjust Expenditures/Expenses for Accruals	<u>(4,724)</u>	<u>(11,207)</u>	<u>92,175</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$1,156,221</u></u>	<u><u>\$438,738</u></u>	<u><u>\$595,166</u></u>

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. There are currently two major special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. The Budget Comparison Schedule follows the same format, terminology, and classification as the state's General Appropriations Act (General Bill). Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an over expended budget. For the year ended June 30, 2009, there were no over-expenditures by any State departments.

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

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2009 has also been included as Required Supplementary Information.



COMBINING FINANCIAL STATEMENTS

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

Combining Balance Sheet – Nonmajor Governmental Funds – By Type

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

Combining Balance Sheet – Nonmajor Special Revenue Funds

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

Combining Balance Sheet – Nonmajor Debt Service Funds

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

Combining Statement of Net Assets – Nonmajor Enterprise Funds

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

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

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

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

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

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

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

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Combining Statement of Net Assets – Component Units

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

Combining Statement of Net Assets – Nonmajor Component Units

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

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2009
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Assets					
Cash and Cash Equivalents	\$ 326,316	\$ 323	\$ 2,816	\$ 285	\$ 329,740
Investments	79,592	72,083		23,248	174,923
Receivables From:					
Taxes (Net)	6,359				6,359
Interest and Dividends	2,434	100	35	95	2,664
Other Funds	16,538				16,538
Component Units	118				118
Other Governments	85,291				85,291
Loans and Notes (Net)	42,326				42,326
Other (Net)	3,929	15,192		5	19,126
Inventory	3,648				3,648
Deferred Fiscal Charges and Other Assets	830	8			838
Total Assets	<u>\$ 567,381</u>	<u>\$ 87,706</u>	<u>\$ 2,851</u>	<u>\$ 23,633</u>	<u>\$ 681,571</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 49,603	\$ 5	\$ 33	\$ 5	\$ 49,646
Payable To:					
Other Funds	18,647		334	13	18,994
Component Units	1,264			3	1,267
Other Governments	45,415				45,415
Claims, Judgments and Compensated Absences	110				110
Deferred Revenue	33,038	15,192			48,230
Total Liabilities	<u>148,077</u>	<u>15,197</u>	<u>367</u>	<u>21</u>	<u>163,662</u>
Fund Balances:					
Reserved For:					
Encumbrances	15,273				15,273
Inventories	3,648				3,648
Debt Service		72,509			72,509
School Perpetuity				23,612	23,612
Noncurrent Assets	44,895				44,895
Funds held as Permanent Investments	85,631				85,631
Unreserved	269,857		2,484		272,341
Total Fund Balances	<u>419,304</u>	<u>72,509</u>	<u>2,484</u>	<u>23,612</u>	<u>517,909</u>
Total Liabilities and Fund Balances	<u>\$ 567,381</u>	<u>\$ 87,706</u>	<u>\$ 2,851</u>	<u>\$ 23,633</u>	<u>\$ 681,571</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 118,940	\$	\$	\$	\$ 118,940
Licenses, Permits and Fees	168,507				168,507
Fines, Forfeits and Penalties	10,713				10,713
Use of Money and Property	283	1,208	193	(2,877)	(1,193)
Sales and Services	25,058				25,058
Administering Programs	574,698				574,698
Tobacco Settlement		29,986			29,986
Other Revenue	10,005				10,005
Total Revenue	<u>908,204</u>	<u>31,194</u>	<u>193</u>	<u>(2,877)</u>	<u>936,714</u>
Expenditures:					
Current:					
General Government	41,602	211	26	1,723	43,562
Education	168,460				168,460
Education - Payments to School Districts	23,472				23,472
Education - State Support to Higher Education	10,262				10,262
Health, Human and Social Services	267,341				267,341
Law, Justice, Public Protection and Regulation	98,702				98,702
Agriculture and Natural Resources	108,013				108,013
Economic Resources	32,321				32,321
Transportation	25,589				25,589
State Shared Revenue Paid to Other Governments	74,475				74,475
Capital Outlay			2,172		2,172
Debt Service:					
Principal		26,951			26,951
Interest		20,174			20,174
Total Expenditures	<u>850,237</u>	<u>47,336</u>	<u>2,198</u>	<u>1,723</u>	<u>901,494</u>
Excess of Revenue Over (Under) Expenditures	57,967	(16,142)	(2,005)	(4,600)	35,220
Other Financing Sources (Uses):					
Bonds Issued			2,175		2,175
Premiums on Bond Issuance			44		44
Proceeds from Sale of Capital Assets	1,357				1,357
Transfers In	163,078	9,865			172,943
Transfers Out	(229,455)	(136)	(190)	(231)	(230,012)
Total Other Financing Sources (Uses)	<u>(65,020)</u>	<u>9,729</u>	<u>2,029</u>	<u>(231)</u>	<u>(53,493)</u>
Net Change in Fund Balances	(7,053)	(6,413)	24	(4,831)	(18,273)
Fund Balances at Beginning of Year, as restated	426,357	78,922	2,460	28,443	536,182
Fund Balances at End of Year	<u>\$ 419,304</u>	<u>\$ 72,509</u>	<u>\$ 2,484</u>	<u>\$ 23,612</u>	<u>\$ 517,909</u>

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2009
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Assets					
Cash and Cash Equivalents	\$	\$ 2,053	\$ 268	\$	\$
Investments					
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds	359	148	293	53	
Component Units					
Other Governments	24,152	13,391	1,716	2,279	1,592
Loans and Notes (Net)					
Other (Net)			4		
Inventory		236	78	2,478	
Deferred Fiscal Charges and Other Assets	42				4
Total Assets	<u>\$ 24,553</u>	<u>\$ 15,828</u>	<u>\$ 2,359</u>	<u>\$ 4,810</u>	<u>\$ 1,596</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 2,649	\$ 9,679	\$ 1,791	\$ 1,770	\$ 60
Payable To:					
Other Funds	1,103	866	339	336	48
Component Units	282	97		27	38
Other Governments	20,007	208	2	218	1,446
Claims, Judgments and Compensated Absences		9	2		
Deferred Revenue	310	1,766			
Total Liabilities	<u>24,351</u>	<u>12,625</u>	<u>2,134</u>	<u>2,351</u>	<u>1,592</u>
Fund Balances:					
Reserved For:					
Encumbrances	23	1,607		582	1,071
Inventories		236	78	2,478	
Noncurrent Assets					
Funds held as Permanent Investments					
Unreserved	179	1,360	147	(601)	(1,067)
Total Fund Balances	<u>202</u>	<u>3,203</u>	<u>225</u>	<u>2,459</u>	<u>4</u>
Total Liabilities and Fund Balances	<u>\$ 24,553</u>	<u>\$ 15,828</u>	<u>\$ 2,359</u>	<u>\$ 4,810</u>	<u>\$ 1,596</u>

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$ 6,914	\$ 24,526	\$ 7,606	\$ 664	\$ 2,444	\$ 7,860
		62	220	27	34		784
	3	500	3	132		51	20
2,200	1,931	1,388		235		59	
57			710	1,059		167	
44						781	
<u>\$ 2,301</u>	<u>\$ 1,934</u>	<u>\$ 8,864</u>	<u>\$ 25,459</u>	<u>\$ 9,059</u>	<u>\$ 698</u>	<u>\$ 3,502</u>	<u>\$ 8,664</u>
\$ 655	\$ 425	\$ 522	\$ 1,147	\$ 658	\$ 123	\$ 124	\$ 72
684	1,096	155	1,159	6,256	24	705	597
	60	455	5				
858	363	17	105	18		1	751
			4				
57		7,560		5			6,943
<u>2,254</u>	<u>1,944</u>	<u>8,709</u>	<u>2,420</u>	<u>6,937</u>	<u>147</u>	<u>830</u>	<u>8,363</u>
106	2,480	2,050	494	261	9	349	
						781	
(59)	(2,490)	(1,895)	22,545	1,861	542	1,542	301
47	(10)	155	23,039	2,122	551	2,672	301
<u>\$ 2,301</u>	<u>\$ 1,934</u>	<u>\$ 8,864</u>	<u>\$ 25,459</u>	<u>\$ 9,059</u>	<u>\$ 698</u>	<u>\$ 3,502</u>	<u>\$ 8,664</u>

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STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2009
(Expressed in Thousands)

Assets	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Cash and Cash Equivalents	\$ 11,963	\$ 2,641	\$ 24,991	\$ 63,626	\$ 4,735	\$ 4,868
Investments						
Receivables From:						
Taxes (Net)	273			771	172	
Interest and Dividends	15	25	183		35	29
Other Funds			505	4,046		350
Component Units						
Other Governments	8,184	225				
Loans and Notes (Net)						
Other (Net)	20					
Inventory						
Deferred Fiscal Charges and Other Assets						5
Total Assets	\$ 20,455	\$ 2,891	\$ 25,679	\$ 68,443	\$ 4,942	\$ 5,252
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 417	\$ 449	\$ 130	\$	\$ 39	\$
Payable To:						
Other Funds	275	199			8	17
Component Units			130			
Other Governments	17,977		295			
Claims, Judgments and Compensated Absences	48	3				
Deferred Revenue						
Total Liabilities	18,717	651	555	0	47	17
Fund Balances:						
Reserved For:						
Encumbrances	1,241					
Inventories						
Noncurrent Assets						
Funds held as Permanent Investments						
Unreserved	497	2,240	25,124	68,443	4,895	5,235
Total Fund Balances	1,738	2,240	25,124	68,443	4,895	5,235
Total Liabilities and Fund Balances	\$ 20,455	\$ 2,891	\$ 25,679	\$ 68,443	\$ 4,942	\$ 5,252

Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$ 11,763	\$ 6,083	\$ 139	\$ 2,574 79,414	\$ 14,654	\$ 125,944 178	\$ 326,316 79,592
460					3,899	6,359
114	50		353	501	766	2,434
1,455	4,691	1,394		89	2,466	16,538
	106				12	118
131		18,644			9,164	85,291
25,638				16,528	160	42,326
		367	17		1,528	3,929
					75	3,648
					735	830
<u>\$ 39,561</u>	<u>\$ 10,930</u>	<u>\$ 20,544</u>	<u>\$ 82,358</u>	<u>\$ 31,772</u>	<u>\$ 144,927</u>	<u>\$ 567,381</u>
\$ 125	\$ 35	\$ 18,612	\$ 17	\$	\$ 10,104	\$ 49,603
		166			4,614	18,647
				107	63	1,264
554		135			2,460	45,415
					44	110
		1,631			14,766	33,038
<u>679</u>	<u>35</u>	<u>20,544</u>	<u>17</u>	<u>107</u>	<u>32,051</u>	<u>148,077</u>
					5,000	15,273
					75	3,648
24,974	4,797			15,024	100	44,895
			85,631			85,631
13,908	6,098		(3,290)	16,641	107,701	269,857
38,882	10,895	0	82,341	31,665	112,876	419,304
<u>\$ 39,561</u>	<u>\$ 10,930</u>	<u>\$ 20,544</u>	<u>\$ 82,358</u>	<u>\$ 31,772</u>	<u>\$ 144,927</u>	<u>\$ 567,381</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, 2009
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Revenue:					
Taxes	\$	\$	\$ 374	\$	\$
Licenses, Permits and Fees				28	
Fines, Forfeits and Penalties					
Use of Money and Property					
Sales and Services	6				
Administering Programs	155,042	123,651	23,036	48,435	10,316
Other Revenue	97	35	34	5	
Total Revenue	155,145	123,686	23,444	48,468	10,316
Expenditures:					
General Government					
Education	155,020				
Education - Payments to School Districts					
Education - State Support to Higher Education					
Health, Human and Social Services		122,336	26,432	48,459	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					10,315
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	155,020	122,336	26,432	48,459	10,315
Excess of Revenue Over (Under) Expenditures	125	1,350	(2,988)	9	1
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets			1		
Transfers In		112	2,699	192	
Transfers Out		(338)	(60)	(11)	
Total Other Financing Sources (Uses)	0	(226)	2,640	181	0
Net Change in Fund Balances	125	1,124	(348)	190	1
Fund Balances at Beginning of Year, as restated	77	2,079	573	2,269	3
Fund Balances at End of Year	\$ 202	\$ 3,203	\$ 225	\$ 2,459	\$ 4

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			27,714	1,596 11,240	17,938 18,321 849	7,609	8,161 7,727 6
		500	1,906	1,786	216		140
			133	394	14		
24,451	9,933	10,674	612	104			
646			166	16	31	524	
25,097	9,933	11,174	30,531	15,136	37,369	8,133	16,034
						7,391	
25,051					2,347		1,255
	9,981	10,776	22,759	14,811			
							8,752
25,051	9,981	10,776	22,759	14,811	2,347	7,391	10,007
46	(48)	398	7,772	325	35,022	742	6,027
			154	116			
23	34	225	133	140		103	
(23)		(527)	(7,467)	(1,768)	(35,097)	(464)	(5,994)
0	34	(302)	(7,180)	(1,512)	(35,097)	(361)	(5,994)
46	(14)	96	592	(1,187)	(75)	381	33
1	4	59	22,447	3,309	626	2,291	268
\$ 47	\$ (10)	\$ 155	\$ 23,039	\$ 2,122	\$ 551	\$ 2,672	\$ 301

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	\$ 2,763	\$ 8,825	\$ 10,420	\$ 7,083	\$ 1,689	\$
Licenses, Permits and Fees	69,368	2,178				
Fines, Forfeits and Penalties						
Use of Money and Property	93	176	1,249		225	174
Sales and Services	2,108					1,400
Administering Programs						
Other Revenue	4	1	32		1	19
Total Revenue	<u>74,336</u>	<u>11,180</u>	<u>11,701</u>	<u>7,083</u>	<u>1,915</u>	<u>1,593</u>
Expenditures:						
General Government	4,796	9,982				3,141
Education						
Education - Payments to School Districts						
Education - State Support to Higher Education						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	4,022					
Agriculture and Natural Resources					704	
Economic Resources			8,848			
Transportation						
State Shared Revenue Paid to Other Governments	65,723					
Total Expenditures	<u>74,541</u>	<u>9,982</u>	<u>8,848</u>	<u>0</u>	<u>704</u>	<u>3,141</u>
Excess of Revenue Over (Under) Expenditures	(205)	1,198	2,853	7,083	1,211	(1,548)
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets						
Transfers In	1,033			118,053		128
Transfers Out	(337)	(409)	(12)	(125,463)	(2,500)	
Total Other Financing Sources (Uses)	<u>696</u>	<u>(409)</u>	<u>(12)</u>	<u>(7,410)</u>	<u>(2,500)</u>	<u>128</u>
Net Change in Fund Balances	491	789	2,841	(327)	(1,289)	(1,420)
Fund Balances at Beginning of Year, as restated	1,247	1,451	22,283	68,770	6,184	6,655
Fund Balances at End of Year	<u>\$ 1,738</u>	<u>\$ 2,240</u>	<u>\$ 25,124</u>	<u>\$ 68,443</u>	<u>\$ 4,895</u>	<u>\$ 5,235</u>

Water and Environment	Energy Conservation	Federal Stimulus (ARRA)	Health Care Trust	Railroad Trust	Other	Total
\$ 5,573	\$	\$	\$	\$	\$ 54,518	\$ 118,940
1,683				186	22,453	168,507
					9,858	10,713
835	328		(14,997)	1,634	6,018	283
	73				20,930	25,058
		105,877			62,567	574,698
	226			12	8,156	10,005
8,091	627	105,877	(14,997)	1,832	184,500	908,204
			309		23,374	41,602
		114			13,326	168,460
		22,070			1,402	23,472
		10,262				10,262
		43,298			19,425	267,341
		8,054			57,973	98,702
10,784		9			38,189	108,013
	283	23			12,852	32,321
		21,948		1,866	1,775	25,589
						74,475
10,784	283	105,778	309	1,866	168,316	850,237
(2,693)	344	99	(15,306)	(34)	16,184	57,967
					1,086	1,357
3,251	2			140	36,810	163,078
(400)		(99)			(48,486)	(229,455)
2,851	2	(99)	0	140	(10,590)	(65,020)
158	346		(15,306)	106	5,594	(7,053)
38,724	10,549		97,647	31,559	107,282	426,357
\$ 38,882	\$ 10,895	\$ 0	\$ 82,341	\$ 31,665	\$ 112,876	\$ 419,304

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2009
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$	\$ 323	\$ 323
Investments	39,206	32,877	72,083
Receivables From:			
Interest and Dividends		100	100
Other (net)		15,192	15,192
Deferred Fiscal Charges and Other Assets		8	8
Total Assets	<u>\$ 39,206</u>	<u>\$ 48,500</u>	<u>\$ 87,706</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	\$	\$ 5	\$ 5
Deferred Revenue		15,192	15,192
Total Liabilities	<u>0</u>	<u>15,197</u>	<u>15,197</u>
Fund Balances:			
Reserved For:			
Debt Service	39,206	33,303	72,509
Total Fund Balances	<u>39,206</u>	<u>33,303</u>	<u>72,509</u>
Total Liabilities and Fund Balances	<u>\$ 39,206</u>	<u>\$ 48,500</u>	<u>\$ 87,706</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	\$ 4	\$ 1,204	\$ 1,208
Tobacco Settlement		29,986	29,986
Total Revenue	<u>4</u>	<u>31,190</u>	<u>31,194</u>
Expenditures:			
Current:			
General Government	50	161	211
Debt Service:			
Principal	11,196	15,755	26,951
Interest	4,558	15,616	20,174
Total Expenditures	<u>15,804</u>	<u>31,532</u>	<u>47,336</u>
Excess of Revenue Over (Under)			
Expenditures	(15,800)	(342)	(16,142)
Other Financing Sources (Uses):			
Transfers In	9,865		9,865
Transfers Out	(136)		(136)
Total Other Financing Sources (Uses)	<u>9,729</u>	<u>0</u>	<u>9,729</u>
Net Change in Fund Balances	(6,071)	(342)	(6,413)
Fund Balances at Beginning of Year	<u>45,277</u>	<u>33,645</u>	<u>78,922</u>
Fund Balances at End of Year	<u>\$ 39,206</u>	<u>\$ 33,303</u>	<u>\$ 72,509</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2009
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 34,734	\$ 9,825	\$ 1,379	\$ 576	\$ 368
Receivables:					
Interest and Dividends	458		19	1	3
Other Funds		95			45
Component Units					12
Other Governments		1,418			42
Loans and Notes (Net)	13,325				
Other (Net)	23	1,331		5	176
Inventory					811
Deferred Fiscal Charges and Other Assets					
Total Current Assets	48,540	12,669	1,398	582	1,457
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment	28			3,307	559
Accumulated Depreciation	(2)			(2,857)	(387)
Total Capital Assets	26	0	0	642	275
Other Noncurrent Assets	39,542				
Total Assets	88,108	12,669	1,398	1,224	1,732
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	44	430	1	54	120
Payable To:					
Other Funds	6	1,824		12	4
Claims, Judgments and Compensated Absences	23		738	14	38
Deferred Revenue				357	2
Total Current Liabilities	73	2,254	739	437	164
Noncurrent Liabilities:					
Claims, Judgments and Compensated Absences	21		1	12	34
Total Noncurrent Liabilities	21	0	1	12	34
Total Liabilities	94	2,254	740	449	198
Net Assets					
Invested In Capital Assets, Net of Related Debt	26			642	275
Unrestricted	87,988	10,415	658	133	1,259
Total Net Assets	\$ 88,014	\$ 10,415	\$ 658	\$ 775	\$ 1,534

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 5,405	\$ 2,191	\$ 7,488	\$ 7,568	\$ 714	\$ 1,314	\$ 71,562
86	17	67	63	8	11	733
	151		13			304
	13					25
					7	1,467
808						14,133
	63	34	32		3	1,667
	889				92	1,792
	18				166	184
6,299	3,342	7,589	7,676	722	1,593	91,867
						295
5	2,317		29	7	881	7,133
(4)	(1,101)		(22)	(7)	(781)	(5,161)
1	1,216	0	7	0	100	2,267
2,055						41,597
8,355	4,558	7,589	7,683	722	1,693	135,731
52	71	68	266	360	85	1,551
10	28	5	70	11	35	2,005
21	69	728	163	80	28	1,902
	5	785	621		34	1,804
83	173	1,586	1,120	451	182	7,262
19	54	2	145	71	24	383
19	54	2	145	71	24	383
102	227	1,588	1,265	522	206	7,645
1	1,216		7		100	2,267
8,252	3,115	6,001	6,411	200	1,387	125,819
\$ 8,253	\$ 4,331	\$ 6,001	\$ 6,418	\$ 200	\$ 1,487	\$ 128,086

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, 2009
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	1,410			332	
Sales and Services				1,311	3,125
Administering Programs		5,883		41	
Assessments		34,820	219		
Other Revenue	153			224	13
Total Operating Revenue	<u>1,563</u>	<u>40,703</u>	<u>219</u>	<u>1,908</u>	<u>3,138</u>
Operating Expenses:					
Personal Services and Benefits	395		24	679	526
Travel	22			11	8
Contractual Services	241		1	1,455	723
Supplies and Materials	6			329	1,798
Other	197			44	
Depreciation/Amortization	2			36	25
Insurance Claims		58,494	2,130		
Total Operating Expenses	<u>863</u>	<u>58,494</u>	<u>2,155</u>	<u>2,554</u>	<u>3,080</u>
Operating Income (Loss)	700	(17,791)	(1,936)	(646)	58
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets					
Interest Income	2,025	1,537	130	7	24
Other Expense	(13)		(1)		
Grant and Other Income	165			4	
Total Nonoperating Revenue (Expenses)	<u>2,177</u>	<u>1,537</u>	<u>129</u>	<u>11</u>	<u>24</u>
Income (Loss) Before Transfers	2,877	(16,254)	(1,807)	(635)	82
Transfers:					
Transfers In				769	
Transfers Out		(463)			
Net Transfers In (Out)	<u>0</u>	<u>(463)</u>	<u>0</u>	<u>769</u>	<u>0</u>
Change in Net Assets	2,877	(16,717)	(1,807)	134	82
Net Assets at Beginning of Year	85,137	27,132	2,465	641	1,452
Net Assets at End of Year	<u>\$ 88,014</u>	<u>\$ 10,415</u>	<u>\$ 658</u>	<u>\$ 775</u>	<u>\$ 1,534</u>

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 124	\$	\$	\$ 5,940	\$ 2,274	\$ 1,209	\$ 9,547
208						1,950
1	2,547	5,327	217	127	847	13,502
			110			6,034
		109	213		6	35,039
333	2,547	5,436	6,480	2,401	2,062	718
						66,790
351	893	91	3,172	1,393	1,356	8,880
55	8	5	661	175	123	1,068
252	508	333	2,177	1,067	970	7,727
42	892	6	239	227	282	3,821
35			111		2	389
	112		1		107	283
		6,610				67,234
735	2,413	7,045	6,361	2,862	2,840	89,402
(402)	134	(1,609)	119	(461)	(778)	(22,612)
	(28)					(28)
322	113	459	429	52	71	5,169
(2)	(1)	(3)	(1)			(21)
		548				717
320	84	1,004	428	52	71	5,837
(82)	218	(605)	547	(409)	(707)	(16,775)
4	9	710		29	93	1,614
(2)	(1,096)		(126)			(1,687)
2	(1,087)	710	(126)	29	93	(73)
(80)	(869)	105	421	(380)	(614)	(16,848)
8,333	5,200	5,896	5,997	580	2,101	144,934
\$ 8,253	\$ 4,331	\$ 6,001	\$ 6,418	\$ 200	\$ 1,487	\$ 128,086

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 153	\$ 34,743	\$ 219	\$ 1,972	\$ 2,483
Receipts from Interfund Services Provided		480			542
Receipts from Federal Agencies		5,883			32
Receipts from Loan Payments	7,006				
Payments to Suppliers and for Benefits and Claims	(478)	(58,494)	(1,741)	(1,752)	(2,345)
Payments for Employee Services	(318)		(24)	(575)	(540)
Payments for Interfund Services Used	(58)		(1)	(194)	(77)
Payments for Loans Originated	(15,507)				
Other Receipts (Payments)	164				13
Net Cash Provided (Used) by Operating Activities	(9,038)	(17,388)	(1,547)	(549)	108
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets	(13)				
Sales of Equipment					
Net Cash Provided (Used) by Capital and Related Financing Activities	(13)	0	0	0	0
Cash Flows From Noncapital Financing Activities:					
Transfers In				769	
Transfers Out		(463)			
Other Noncapital Financing Activities				4	
Net Cash Provided (Used) by Noncapital Financing Activities	0	(463)	0	773	0
Cash Flows From Investing Activities:					
Investment Income	2,160	1,537	127	8	24
Security Lending Rebate Fees	(13)		(1)		
Net Cash Provided (Used) by Investing Activities	2,147	1,537	126	8	24
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(6,904)	(16,314)	(1,421)	232	132
Cash and Cash Equivalents at Beginning of Year	41,638	26,139	2,800	344	236
Cash and Cash Equivalents at End of Year	<u>\$ 34,734</u>	<u>\$ 9,825</u>	<u>\$ 1,379</u>	<u>\$ 576</u>	<u>\$ 368</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 700	\$ (17,791)	\$ (1,936)	\$ (646)	\$ 58
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense	2			36	25
Miscellaneous Nonoperating Items	165				
Decrease/(Increase) in Assets:					
Accounts Receivable	53	(507)		1	(37)
Interest, Dividends & Penalties Receivable	(56)				
Loans and Notes Receivable	(9,909)				
Due From Other Funds		(46)		4	20
Due From Component Units					(12)
Due From Other Governments		(1,269)			(40)
Inventory					43
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	7	430		(9)	64
Accrued Liabilities	1			(4)	(5)
Compensated Absences Payable	(2)			7	(9)
Due To Other Funds	1	1,795		3	
Deferred Revenue				59	1
Policy Claim Liabilities			389		
Other Liabilities					
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,038)</u>	<u>\$ (17,388)</u>	<u>\$ (1,547)</u>	<u>\$ (549)</u>	<u>\$ 108</u>
Noncash Investing, Capital and Financing Activities:					
Loss/(Gain) on Disposal of Fixed Assets					

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$	\$ 894	\$ 5,361	\$ 6,017	\$ 2,401	\$ 1,893	\$ 56,136
	1,759		323		115	3,219
					85	6,000
318						7,324
(855)	(1,309)	(7,083)	(2,435)	(1,456)	(846)	(78,794)
(269)	(944)	(92)	(3,152)	(1,379)	(1,287)	(8,580)
(87)	(136)	(31)	(791)		(362)	(1,737)
						(15,507)
			98		4	279
(893)	264	(1,845)	60	(434)	(398)	(31,660)
	(13)				1	(26)
						1
0	(13)	0	0	0	1	(25)
2	9	710		29	93	1,612
	(1,096)		(126)			(1,685)
		548				552
2	(1,087)	1,258	(126)	29	93	479
336	124	469	438	55	77	5,355
(2)	(2)	(3)	(3)			(24)
334	122	466	435	55	77	5,331
(557)	(714)	(121)	369	(350)	(227)	(25,875)
5,962	2,905	7,609	7,199	1,064	1,541	97,437
<u>\$ 5,405</u>	<u>\$ 2,191</u>	<u>\$ 7,488</u>	<u>\$ 7,568</u>	<u>\$ 714</u>	<u>\$ 1,314</u>	<u>\$ 71,562</u>
\$ (402)	\$ 134	\$ (1,609)	\$ 119	\$ (461)	\$ (778)	\$ (22,612)
	112		1		107	283
		(1)				164
	59	(34)	(30)		6	(489)
(9)						(65)
(520)						(10,429)
	22					0
	20					8
						(1,309)
	(7)				16	52
	13				180	193
26	(49)	15	(23)	11	(11)	461
5	(37)	(1)		13	42	14
6			19	1	29	51
1	1	5	11	2	5	1,824
	(4)	(42)	(37)		1	(22)
		(178)				211
					5	5
<u>\$ (893)</u>	<u>\$ 264</u>	<u>\$ (1,845)</u>	<u>\$ 60</u>	<u>\$ (434)</u>	<u>\$ (398)</u>	<u>\$ (31,660)</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2009
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 26,310	\$ 1,750	\$ 1,932	\$ 3,938	\$ 721	\$ 621
Receivables:						
Interest and Dividends	228	12	12	33	3	3
Other Funds		1,845	801	786	1,008	390
Component Units		6	451	70		1
Other Governments						
Other		5	29	1	1	2
Inventory		14	124		18	139
Deferred Fiscal Charges and Other Assets	338	1,081	242	464	4	8
Total Current Assets	26,876	4,713	3,591	5,292	1,755	1,164
Capital Assets:						
Property, Plant and Equipment		12,983	3,612	9,737	1,104	431
Accumulated Depreciation		(11,146)	(3,329)	(9,342)	(998)	(336)
Construction in Progress		1,240	168	254		
Total Capital Assets	0	3,077	451	649	106	95
Total Assets	26,876	7,790	4,042	5,941	1,861	1,259
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	421	962	761	77	310	34
Payable To:						
Other Funds	43	167	137	97	23	6
Component Units						
Bonds, Notes and Leases Payable		347				
Claims, Judgments and Compensated Absences	11,220	985	334	101	149	31
Deferred Revenue	7,650					
Total Current Liabilities	19,334	2,461	1,232	275	482	71
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		295				
Claims, Judgments and Compensated Absences	25	877	297	90	133	28
Total Noncurrent Liabilities	25	1,172	297	90	133	28
Total Liabilities	19,359	3,633	1,529	365	615	99
Net Assets						
Invested In Capital Assets, Net of Related Debt		2,435	451	649	106	95
Unrestricted	7,517	1,722	2,062	4,927	1,140	1,065
Total Net Assets	\$ 7,517	\$ 4,157	\$ 2,513	\$ 5,576	\$ 1,246	\$ 1,160

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 613	\$ 9,930	\$ 280	\$ 708	\$ 4,459	\$ 3,485	\$ 54,747
	69		5	33	24	422
68		1,587	399		812	7,696
		463			113	1,104
		3			146	149
3		13	2		154	210
					431	726
16		6				2,159
700	9,999	2,352	1,114	4,492	5,165	67,213
1,501	58	45,679	12		9,420	84,537
(642)	(58)	(30,987)	(10)		(3,555)	(60,403)
		44			14	1,720
859	0	14,736	2	0	5,879	25,854
1,559	9,999	17,088	1,116	4,492	11,044	93,067
21	38	390	212	11	570	3,807
21	7	694	50	4	384	1,633
		23				23
		3,349			238	3,934
34	1,579	24	239	2,701	439	17,836
839					16	8,505
915	1,624	4,480	501	2,716	1,647	35,738
		5,470				5,765
30	3,534	21	212	15,439	390	21,076
30	3,534	5,491	212	15,439	390	26,841
945	5,158	9,971	713	18,155	2,037	62,579
859		5,917	2		5,641	16,155
(245)	4,841	1,200	401	(13,663)	3,366	14,333
\$ 614	\$ 4,841	\$ 7,117	\$ 403	\$ (13,663)	\$ 9,007	\$ 30,488

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, 2009
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Use of Money and Property	\$ 10	\$	\$	\$	\$	\$
Sales and Services	104,315	20,413	13,577	2,770	5,365	4,121
Other Revenue	2,480	20		10	5	
Total Operating Revenue:	<u>106,805</u>	<u>20,433</u>	<u>13,577</u>	<u>2,780</u>	<u>5,370</u>	<u>4,121</u>
Operating Expenses:						
Personal Services and Benefits	537	13,538	4,548	1,144	2,838	351
Travel	22	62	149	9		
Contractual Services	7,457	4,766	8,547	1,857	1,657	200
Supplies and Materials	144	390	346	74	771	3,548
Interest		32				
Depreciation/Amortization		1,616	331	44	53	38
Insurance Claims	96,535					
Total Operating Expenses	<u>104,695</u>	<u>20,404</u>	<u>13,921</u>	<u>3,128</u>	<u>5,319</u>	<u>4,137</u>
Operating Income (Loss)	2,110	29	(344)	(348)	51	(16)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets		4	1			
Loss on Disposal of Assets		(3)			(1)	
Interest Income	1,561	78	80	224	22	19
Other Expense	(10)	(1)	(1)	(1)		
Capital Contribution						
Total Nonoperating Revenue (Expenses)	<u>1,551</u>	<u>78</u>	<u>80</u>	<u>223</u>	<u>21</u>	<u>19</u>
Income (Loss) Before Transfers	3,661	107	(264)	(125)	72	3
Transfers:						
Transfers In				675		
Transfers Out						
Net Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>675</u>	<u>0</u>	<u>0</u>
Change in Net Assets	3,661	107	(264)	550	72	3
Net Assets at Beginning of Year	<u>3,856</u>	<u>4,050</u>	<u>2,777</u>	<u>5,026</u>	<u>1,174</u>	<u>1,157</u>
Net Assets at End of Year	<u>\$ 7,517</u>	<u>\$ 4,157</u>	<u>\$ 2,513</u>	<u>\$ 5,576</u>	<u>\$ 1,246</u>	<u>\$ 1,160</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$	\$ 10
1,046	3,738	16,366	4,270	5,014	11,926	192,921
	160	46		48	36	2,805
1,046	3,898	16,412	4,270	5,062	11,962	195,736
344	326	564	3,081	168	5,416	32,855
8	26	4	61		320	661
326	1,042	2,511	1,181	88	1,901	31,533
17	24	7,353	196	8	3,126	15,997
		372			23	427
378	8	5,202			489	8,159
	2,687			8,333	313	107,868
1,073	4,113	16,006	4,519	8,597	11,588	197,500
(27)	(215)	406	(249)	(3,535)	374	(1,764)
		326				331
		(115)	(1)		(5)	(125)
(7)	469		45	226	159	2,876
(2)	(3)	(26)		(1)	(5)	(50)
26						26
17	466	185	44	225	149	3,058
(10)	251	591	(205)	(3,310)	523	1,294
			259		312	1,246
					(216)	(216)
0	0	0	259	0	96	1,030
(10)	251	591	54	(3,310)	619	2,324
624	4,590	6,526	349	(10,353)	8,388	28,164
\$ 614	\$ 4,841	\$ 7,117	\$ 403	\$ (13,663)	\$ 9,007	\$ 30,488

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 59,363	\$ 385	\$ 4,413	\$ 331	\$ 11	\$ 143
Receipts from Interfund Services Provided	48,042	19,903	9,116	2,439	5,363	3,916
Payments to Suppliers and for Benefits and Claims	(104,298)	(3,915)	(7,967)	(933)	(1,675)	(3,708)
Payments for Employee Services	(523)	(13,360)	(4,570)	(1,094)	(2,857)	(349)
Payments for Interfund Services Used	(608)	(1,594)	(777)	(1,044)	(736)	(85)
Other Receipts (Payments)		20		10	5	
Net Cash Provided (Used) by Operating Activities	1,976	1,439	215	(291)	111	(83)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(1,496)	(269)	(604)		
Sales of Capital Assets		4	1			
Payments on Capital Lease Obligations		(475)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,967)	(268)	(604)	0	0
Cash Flows From Noncapital Financing Activities:						
Transfers In				675		
Transfers Out						
Received (Paid) on Interfund Borrowing						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	675	0	0
Cash Flows From Investing Activities						
Investment Income (Expense)	1,583	82	86	229	21	20
Security Lending Rebate Fees	(10)	(1)	(1)	(2)		
Net Cash Provided (Used) by Investing Activities	1,573	81	85	227	21	20
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	3,549	(447)	32	7	132	(63)
Cash and Cash Equivalents at Beginning of Year	22,761	2,197	1,900	3,931	589	684
Cash and Cash Equivalents at End of Year	\$ 26,310	\$ 1,750	\$ 1,932	\$ 3,938	\$ 721	\$ 621
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 2,110	\$ 29	\$ (344)	\$ (348)	\$ 51	\$ (16)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,616	331	44	53	38
Interest Expense		38				
Miscellaneous Nonoperating Items						
Decrease/(Increase) in Assets:						
Accounts Receivable		(2)	8			
Due From Other Funds		(123)	109	(15)	27	(63)
Due From Component Units		(1)	(164)	16		
Due From Other Governments						
Inventory		5	55		7	(36)
Deferred Fiscal Charges and Other Assets		(180)	24	(43)	7	(1)
Increase/(Decrease) in Liabilities:						
Accounts Payable	(41)	(152)	194	(1)	10	(8)
Accrued Liabilities	3	13	(2)	15	(12)	(1)
Compensated Absences Payable	11	167	(20)	35	(8)	3
Due To Other Funds	11	29	24	6	(24)	1
Due To Component Units						
Deferred Revenue	601					
Policy Claim Liabilities	(719)					
Net Cash Provided (Used) by Operating Activities	\$ 1,976	\$ 1,439	\$ 215	\$ (291)	\$ 111	\$ (83)
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets		1	1		(1)	
Capital Lease Obligations Entered Into		(537)				
Contributions of Fixed Assets						

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 1,609	\$ 1,091	\$ 3,041	\$ 33	\$ 1,540	\$ 2,294	\$ 74,254
312	2,647	12,935	4,038	3,522	9,610	121,843
(233)	(2,667)	(4,269)	(916)	(3,545)	(4,063)	(138,189)
(346)	(323)	(568)	(3,100)	(163)	(5,433)	(32,686)
(117)	(143)	(5,721)	(520)	(34)	(1,714)	(13,093)
	160	48			36	279
1,225	765	5,466	(465)	1,320	730	12,408
(1,208)		(943)			(49)	(4,569)
		710				715
		(4,289)			(163)	(4,927)
(1,208)	0	(4,522)	0	0	(212)	(8,781)
			259		312	1,246
		(638)			(216)	(216)
					(183)	(821)
0	0	(638)	259	0	(87)	209
(5)	495	(26)	44	227	165	2,921
	(4)			(1)	(2)	(21)
(5)	491	(26)	44	226	163	2,900
12	1,256	280	(162)	1,546	594	6,736
601	8,674	0	870	2,913	2,891	48,011
\$ 613	\$ 9,930	\$ 280	\$ 708	\$ 4,459	\$ 3,485	\$ 54,747
\$ (27)	\$ (215)	\$ 406	\$ (249)	\$ (3,535)	\$ 374	\$ (1,764)
378	8	5,202			489	8,159
		383			23	444
			5		(14)	(9)
2		(1)	1		(32)	(24)
33		(291)	(200)		55	(468)
		(93)			(39)	(281)
		(3)			(11)	(14)
					(69)	(38)
2		1				(190)
(3)	6	(89)	2	(18)	(58)	(158)
		(2)	(6)	1	(22)	(13)
(2)	1	(2)	(15)	4	8	182
2		87	(3)		18	151
		(132)				(132)
840					8	1,449
	965			4,868		5,114
\$ 1,225	\$ 765	\$ 5,466	\$ (465)	\$ 1,320	\$ 730	\$ 12,408
		211	(1)		(5)	206
		(4,191)				(4,728)
26						26

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2009
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Assets			
Cash and Cash Equivalents	\$ 5,745	\$ 518	\$ 6,263
Receivables:			
Employer	2,030		2,030
Employee	3,747		3,747
Benefits	69		69
Unsettled Investment Sales	5,329	1,505	6,834
Investment Income	16,650	89	16,739
Total Receivables	27,825	1,594	29,419
Investments, at Fair Value:			
Fixed Income	1,653,853	6,107	1,659,960
Equities	3,010,020	22,362	3,032,382
Real Estate	481,769	3,023	484,792
Private Equity	531,284	3,619	534,903
Total Investments	5,676,926	35,111	5,712,037
Properties, at Cost	78		78
Accumulated Depreciation	(48)		(48)
Other Assets	17		17
Total Assets	5,710,543	37,223	5,747,766
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,478		2,478
Due to Other Funds	40		40
Compensated Absences Payable	245		245
Securities Sold, But Not Yet Purchased, at Fair Value	52,024		52,024
Unsettled Investment Purchases	6,991	1,543	8,534
Total Liabilities	61,778	1,543	63,321
Net Assets Held In Trust For Pension and Other Employee Benefits	\$ 5,648,765	\$ 35,680	\$ 5,684,445

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Additions			
Contributions:			
Employee	\$ 95,458	\$	\$ 95,458
Employer	94,245		94,245
Total Contributions	189,703	0	189,703
Investment Income:			
From Investing Activities			
Net Increase (Decrease) in Fair Value of Investments	(1,658,907)	(10,404)	(1,669,311)
Interest	89,039	587	89,626
Dividends	87,597	507	88,104
Real Estate	4,240	30	4,270
Investment Activity Income	(1,478,031)	(9,280)	(1,487,311)
Less Investment Activity Expenses	(40,949)	(63)	(41,012)
Net Investment Activity Income	(1,518,980)	(9,343)	(1,528,323)
From Security Lending Activities			
Security Lending Income	1,620	3	1,623
Security Lending Expenses	(1,260)	(2)	(1,262)
Net Security Lending Activity Income	360	1	361
Net Investment Income (Loss)	(1,518,620)	(9,342)	(1,527,962)
Transfers From Other Funds		1,035	1,035
Total Additions	(1,328,917)	(8,307)	(1,337,224)
Deductions			
Benefits	306,769	3,062	309,831
Refunds of Contributions	24,225		24,225
Administrative Expenses	3,430	258	3,688
Total Deductions	334,424	3,320	337,744
Net Increase	(1,663,341)	(11,627)	(1,674,968)
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	7,312,106	47,307	7,359,413
End of Year	\$ 5,648,765	\$ 35,680	\$ 5,684,445

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2009
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Assets					
Cash and Cash Equivalents	\$ 5,671	\$ 274	\$ 1,977	\$ 1,694	\$ 9,616
Receivables:					
Due from Other Funds			107		107
Investment Income	466	1		3	470
Other	30	17			47
Total Receivables	496	18	107	3	624
Investments, at Fair Value:					
Pooled Investment Funds	109,181				109,181
Total Investments	109,181	0	0	0	109,181
Properties, at Cost	13,868			26	13,894
Other Assets				8	8
Total Assets	129,216	292	2,084	1,731	133,323
Liabilities					
Payables:					
Accounts Payable and Other Liabilities	27	180		719	926
Due To Other Funds			130	19	149
Total Liabilities	27	180	130	738	1,075
Net Assets Held In Trust For Others	\$ 129,189	\$ 112	\$ 1,954	\$ 993	\$ 132,248

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Additions					
Contributions:					
From Participants	\$	\$	\$	\$ 205	\$ 205
From Clients and Inmates			7,284	1,025	8,309
Other	8,733				8,733
Total Contributions	8,733	0	7,284	1,230	17,247
Investment Income:					
From Investing Activities					
Net Increase (Decrease) in Fair Value of Investments	(27,818)	1		4	(27,813)
Pooled Interest and Dividends	5,076	5		16	5,097
Net Investment Activity Income	(22,742)	6	0	20	(22,716)
From Security Lending Activities					
Security Lending Income	46				46
Security Lending Expenses	(43)				(43)
Net Security Lending Activity Income	3	0	0	0	3
Net Investment Income (Loss)	(22,739)	6	0	20	(22,713)
Miscellaneous Income		725		38	763
Total Additions	(14,006)	731	7,284	1,288	(4,703)
Deductions					
Distribution to School Districts	11,227				11,227
Payments made for Trust Purposes		753	7,103	1,996	9,852
Administrative Expenses		1		1	2
Total Deductions	11,227	754	7,103	1,997	21,081
Net Increase (Decrease)	(25,233)	(23)	181	(709)	(25,784)
Net Assets Held In Trust For Others					
Beginning of Year	154,422	135	1,773	1,702	158,032
End of Year	\$ 129,189	\$ 112	\$ 1,954	\$ 993	\$ 132,248



STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2009
(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	\$ 49,031	\$ 1,762	\$ 4,837	\$ 4,170	\$ 1,525	\$ 61,325
Receivables:						
Taxes Receivable (net)	32,238					32,238
Due From Other Governments	463				130	593
Interest and Dividends Receivable	79				3	82
Other	314					314
Total Receivables	<u>33,094</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>133</u>	<u>33,227</u>
Total Assets	<u>\$ 82,125</u>	<u>\$ 1,762</u>	<u>\$ 4,837</u>	<u>\$ 4,170</u>	<u>\$ 1,658</u>	<u>\$ 94,552</u>
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 773	\$ 1,762	\$ 28	\$ 4,170	\$ 753	\$ 7,486
Refunds - Contractors Excise Tax	30,062					30,062
Due To Other Governments	<u>51,290</u>		<u>4,809</u>		<u>905</u>	<u>57,004</u>
Total Liabilities	<u>\$ 82,125</u>	<u>\$ 1,762</u>	<u>\$ 4,837</u>	<u>\$ 4,170</u>	<u>\$ 1,658</u>	<u>\$ 94,552</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 35,356	\$ 343,866	\$ 330,191	\$ 49,031
Accounts Receivable	516	314	516	314
Taxes Receivable (Net)	33,866	32,266	33,894	32,238
Interest and Dividends Receivable	93	79	93	79
Due From Other Governments	499	463	499	463
Total Assets	<u>\$ 70,330</u>	<u>\$ 376,988</u>	<u>\$ 365,193</u>	<u>\$ 82,125</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 697	\$ 789	\$ 713	\$ 773
Refunds - Contractors Excise Tax	22,868	27896	20702	30,062
Due To Other Governments	46,765	348,330	343,805	51,290
Total Liabilities	<u>\$ 70,330</u>	<u>\$ 377,015</u>	<u>\$ 365,220</u>	<u>\$ 82,125</u>
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 1,554	\$ 98,449	\$ 98,241	\$ 1,762
Total Assets	<u>\$ 1,554</u>	<u>\$ 98,449</u>	<u>\$ 98,241</u>	<u>\$ 1,762</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 1,554	\$ 98,449	\$ 98,241	\$ 1,762
Total Liabilities	<u>\$ 1,554</u>	<u>\$ 98,449</u>	<u>\$ 98,241</u>	<u>\$ 1,762</u>
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 4,580	\$ 182,384	\$ 182,127	\$ 4,837
Due From Other Funds	59		59	0
Total Assets	<u>\$ 4,639</u>	<u>\$ 182,384</u>	<u>\$ 182,186</u>	<u>\$ 4,837</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$	\$ 2,037	\$ 2,009	\$ 28
Due To Other Governments	4,639	180,347	180,177	4,809
Total Liabilities	<u>\$ 4,639</u>	<u>\$ 182,384</u>	<u>\$ 182,186</u>	<u>\$ 4,837</u>
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 4,234	\$ 9,606	\$ 9,670	\$ 4,170
Total Assets	<u>\$ 4,234</u>	<u>\$ 9,606</u>	<u>\$ 9,670</u>	<u>\$ 4,170</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 4,234	\$ 9,606	\$ 9,670	\$ 4,170
Total Liabilities	<u>\$ 4,234</u>	<u>\$ 9,606</u>	<u>\$ 9,670</u>	<u>\$ 4,170</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Other Agency Funds	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assets:				
Cash and Cash Equivalents	\$ 1,882	\$ 35,650	\$ 36,007	\$ 1,525
Interest and Dividends Receivable	5	3	5	3
Due From Other Governments		1,426	1,296	130
Total Assets	\$ 1,887	\$ 37,079	\$ 37,308	\$ 1,658
Liabilities:				
Accounts Payable and Other Liabilities	\$ 953	\$ 33,443	\$ 33,643	\$ 753
Due To Other Governments	934	944	973	905
Total Liabilities	\$ 1,887	\$ 34,387	\$ 34,616	\$ 1,658
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 47,606	\$ 669,955	\$ 656,236	\$ 61,325
Accounts Receivable	516	314	516	314
Taxes Receivable (Net)	33,866	32,266	33,894	32,238
Interest and Dividends Receivable	98	82	98	82
Due From Other Funds	59		59	0
Due From Other Governments	499	1,889	1,795	593
Total Assets	\$ 82,644	\$ 704,506	\$ 692,598	\$ 94,552
Liabilities:				
Accounts Payable and Other Liabilities	\$ 7,438	\$ 144,324	\$ 144,276	\$ 7,486
Refunds - Contractors Excise Tax	22,868	27,896	20,702	30,062
Due To Other Governments	52,338	529,621	524,955	57,004
Total Liabilities	\$ 82,644	\$ 701,841	\$ 689,933	\$ 94,552

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2009
(Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 222,058	\$ 48,534	\$ 295,007	\$ 2,622	\$ 568,221
Receivables:					
Interest and Dividends	10,941	436	1,517	181	13,075
Primary Government			1,528		1,528
Other Governments			18,160		18,160
Loans and Notes (Net)	79,790		7,268	1,771	88,829
Other (Net)		99	31,480	2	31,581
Investments	126,745		1,621	1,859	130,225
Inventory	2,222	1,389	8,044		11,655
Deferred Fiscal Charges and Other Assets		724	3,592	64	4,380
Total Current Assets	441,756	51,182	368,217	6,499	867,654
Investments	565,141		72,152	1,675	638,968
Restricted Assets:					
Cash and Cash Equivalents			10,668	589	11,257
Investments			172,669	6,673	179,342
Other			72,021		72,021
Capital Assets:					
Land and Other Non-depreciable Assets	220	12,353	24,768		37,341
Property, Plant and Equipment	8,805	30,988	766,679		806,472
Accumulated Depreciation	(2,587)	(879)	(379,986)		(383,452)
Construction in Progress		1,868	149,575		151,443
Total Capital Assets	6,438	44,330	561,036	0	611,804
Other Noncurrent Assets (net)	1,430,676		6,512	23,879	1,461,067
Total Assets	2,444,011	95,512	1,263,275	39,315	3,842,113
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	2,547	2,320	35,081	13	39,961
Payable To:					
Primary Government	23		1,394		1,417
Escrow Payable	20,929				20,929
Bonds, Notes and Leases Payable	103,755		15,102	1,283	120,140
Claims, Judgments and Compensated Absences		106	10,550		10,656
Accrued Interest Payable	13,862		2,719	341	16,922
Deferred Revenue			5,853	25	5,878
Other Current Liabilities			15,534	114	15,648
Total Current Liabilities	141,116	2,426	86,233	1,776	231,551
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	1,890,360		365,148	25,761	2,281,269
Claims, Judgments and Compensated Absences	353	106	26,327		26,786
Federal Capital Contribution Refundable Advance			36,298		36,298
Other Noncurrent Liabilities	8,119		19,826	1,676	29,621
Total Noncurrent Liabilities	1,898,832	106	447,599	27,437	2,373,974
Total Liabilities	2,039,948	2,532	533,832	29,213	2,605,525
Net Assets					
Invested In Capital Assets, Net of Related Debt	1,042	44,330	335,113		380,485
Restricted For:					
Debt Service	403,021		4,448	7,262	414,731
Higher Education - Expendable			112,649		112,649
Higher Education - Nonexpendable			245,965		245,965
Interim Lab		33,482			33,482
Indemnification		10,000			10,000
Other		3,513			3,513
Unrestricted		1,655	31,268	2,840	35,763
Total Net Assets	\$ 404,063	\$ 92,980	\$ 729,443	\$ 10,102	\$ 1,236,588

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of \$21,577)	\$	\$	\$ 161,606	\$	\$ 161,606
Use of Money and Property	140,637	474		1,490	142,601
Sales and Services (net of discounts and allowances for scholarships of \$5,473)			75,314		75,314
Administering Programs			133,199		133,199
Other Revenue	7,542	5	37,079		44,626
Total Operating Revenue	148,179	479	407,198	1,490	557,346
Operating Expenses:					
Personal Services and Benefits	3,167	5,237	340,612	52	349,068
Travel	195	116	14,100		14,411
Contractual Services	12,165	1,867	96,984	107	111,123
Supplies and Materials	125	4,895	63,504		68,524
Grants and Subsidies	26,419		38,737		65,156
Other	277		4,230	5	4,512
Interest	86,957		15,423	1,286	103,666
Depreciation/Amortization	2,289	365	26,207	16	28,877
Total Operating Expenses	131,594	12,480	599,797	1,466	745,337
Operating Income (Loss)	16,585	(12,001)	(192,599)	24	(187,991)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets			(1,767)		(1,767)
Interest Income		3,008	(5,928)	421	(2,499)
Interest Expense			(12,729)	(12)	(12,741)
Other Expense		(19)	(2,561)		(2,580)
State Aid from Primary Government			196,007		196,007
Federal Appropriation			7,970		7,970
Grant and Other Income		22,143	4,762		26,905
Total Nonoperating Revenue (Expenses)	0	25,132	178,254	409	211,295
Income (Loss) Before Capital Grants and Additions to Endowments	16,585	13,131	(14,345)	433	23,304
Capital Grants			9,586		9,586
Additions to Endowments			7,211		7,211
Change in Net Assets	16,585	13,131	9,952	433	40,101
Net Assets At Beginning of Year, as restated	387,478	79,849	719,491	9,669	1,196,487
Net Assets at End of Year	\$ 404,063	\$ 92,980	\$ 729,443	\$ 10,102	\$ 1,236,588

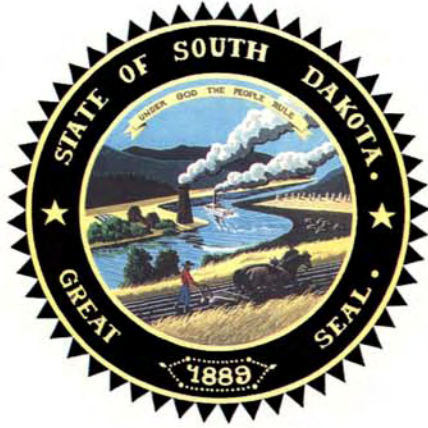
STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
June 30, 2009
(Expressed in Thousands)

	Business-type Activities			Total
	Finance Authority	CREP Program	Value Added Finance Authority	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,546	\$ 174	\$ 902	\$ 2,622
Receivables:				
Interest and Dividends	171	7	3	181
Loans and Notes (Net)	1,451		320	1,771
Other (Net)		2		2
Investments	1,859			1,859
Deferred Fiscal Charges and Other Assets	60	4		64
Total Current Assets	5,087	187	1,225	6,499
Investments	1,320	355		1,675
Restricted Assets:				
Cash and Cash Equivalents	589			589
Investments	6,673			6,673
Other Noncurrent Assets (net)	23,388	90	401	23,879
Total Assets	37,057	632	1,626	39,315
Liabilities				
Current Liabilities:				
Accounts Payable and Other Liabilities	11	2		13
Bonds, Notes and Leases Payable	1,201	30	52	1,283
Accrued Interest Payable	333		8	341
Deferred Revenue		25		25
Other Current Liabilities	114			114
Total Current Liabilities	1,659	57	60	1,776
Noncurrent Liabilities:				
Bonds, Notes and Leases Payable	24,621		1,140	25,761
Other Noncurrent Liabilities	1,676			1,676
Total Noncurrent Liabilities	26,297	0	1,140	27,437
Total Liabilities	27,956	57	1,200	29,213
Net Assets				
Restricted For:				
Debt Service	7,262			7,262
Unrestricted	1,839	575	426	2,840
Total Net Assets	\$ 9,101	\$ 575	\$ 426	\$ 10,102

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Business-type Activities			Total
	Finance Authority	CREP Program	Value Added Finance Authority	
Operating Revenue:				
Use of Money and Property	\$ 1,435	\$ 19	\$ 36	\$ 1,490
Total Operating Revenue	<u>1,435</u>	<u>19</u>	<u>36</u>	<u>1,490</u>
Operating Expenses:				
Personal Services and Benefits		52		52
Contractual Services	89	18		107
Other	5			5
Interest	1,279	7		1,286
Depreciation/Amortization		16		16
Total Operating Expenses	<u>1,373</u>	<u>93</u>	<u>0</u>	<u>1,466</u>
Operating Income (Loss)	62	(74)	36	24
Nonoperating Revenue (Expenses):				
Interest Income	403	9	9	421
Interest Expense			(12)	(12)
Total Nonoperating Revenue (Expenses)	<u>403</u>	<u>9</u>	<u>(3)</u>	<u>409</u>
Change in Net Assets	465	(65)	33	433
Net Assets At Beginning of Year	8,636	640	393	9,669
Net Assets at End of Year	<u>\$ 9,101</u>	<u>\$ 575</u>	<u>\$ 426</u>	<u>\$ 10,102</u>





STATISTICAL SECTION

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

(accrual basis of accounting, dollars in thousands)

	Fiscal Year			
	2009	2008	2007	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 3,101,101	\$ 3,053,427	\$ 2,947,980	\$ 2,829,173
Restricted	897,491	1,032,035	1,091,917	1,012,357
Unrestricted	67,523	67,587	70,308	85,670
Total governmental activities net assets	\$ 4,066,115	\$ 4,153,049	\$ 4,110,205	\$ 3,927,200
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,299	\$ 2,565	\$ 2,829	\$ 3,184
Restricted	302,713	284,272	284,322	262,293
Unrestricted	102,607	122,595	94,300	89,879
Total business-type activities net assets	\$ 407,619	\$ 409,432	\$ 381,451	\$ 355,356
Primary government				
Invested in capital assets, net of related debt	\$ 3,103,400	\$ 3,055,992	\$ 2,950,809	\$ 2,832,357
Restricted	1,200,204	1,316,307	1,376,239	1,274,650
Unrestricted	170,130	190,182	164,608	175,549
Total primary government net assets	\$ 4,473,734	\$ 4,562,481	\$ 4,491,656	\$ 4,282,556

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

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2009).

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

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

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

(accrual basis of accounting, dollars in thousands)

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

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

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

Source South Dakota Comprehensive Annual Financial Reports (FY 2002-2009).

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

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

(modified accrual basis of accounting, dollars in thousands)

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

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2009).

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

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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues								
Taxes								
Sales & Use	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,706	\$ 488,742	\$ 471,025
Insurance Company	61,669	60,930	55,900	55,810	56,295	52,623	48,545	45,440
Liquor	14,782	13,044	13,138	12,602	12,349	12,281	10,899	11,219
Cigarette	56,607	57,160	43,998	26,689	26,246	26,270	20,336	17,466
Bank Franchise	55,260	62,036	76,497	65,187	51,281	47,458	46,847	41,784
Contractor's Excise	71,533	79,137	81,069	76,980	66,555	60,322	56,853	53,449
Severance	7,972	6,847	5,160	4,422	3,060	1,989	2,027	3,019
Other Tobacco	6,273	5,368	2,230	1,460	1,456	1,341	1,330	1,258
Motor Fuel & Vehicle	179,125	187,654	176,788	171,095	179,424	181,935	177,828	173,805
Other	59,190	59,005	61,088	56,573	59,462	59,639	76,573	71,823
Licenses, Permits & Fees	180,337	175,989	166,133	159,597	150,695	144,392	139,700	136,917
Fines, Forfeits & Penalties	11,327	11,141	8,637	7,397	8,601	7,549	6,723	6,845
Use of Money & Property	(77,407)	(2,123)	160,057	86,306	96,156	66,892	92,569	63,558
Sales & Services	35,114	33,885	31,764	27,204	26,645	26,267	24,843	19,111
Admin. Programs	1,434,664	1,222,191	1,232,755	1,195,842	1,185,536	1,125,402	1,093,374	1,027,860
Tobacco Settlement	29,986	27,616	21,369	20,415	22,239	21,911	25,603	-
Other Revenue	27,858	26,215	27,864	32,442	24,409	24,817	21,348	46,427
Total Revenues	2,829,942	2,694,218	2,789,580	2,597,251	2,525,056	2,385,794	2,334,140	2,191,006
Expenditures								
General Government	76,533	76,431	79,349	76,734	71,221	63,634	62,544	61,705
Education	787,670	743,024	690,874	675,100	653,690	616,440	586,041	592,498
Health, Human & Social Services	1,222,021	1,124,311	1,038,035	1,010,287	976,328	903,694	874,339	834,224
Law, Justice, Public Protection & Regulation	240,601	231,559	224,404	232,803	211,421	195,300	175,346	149,657
Agriculture & Natural Resources	125,640	123,257	123,367	109,781	100,920	97,095	107,985	97,297
Commerce & Regulation	-	-	-	-	-	-	-	13,279
Economic Resources	44,940	46,893	39,124	57,981	42,436	37,354	36,831	28,133
Transportation	448,159	400,200	492,073	477,845	440,681	390,903	390,628	411,526
State Shared Revenue	99,064	103,633	101,669	99,171	87,105	82,878	83,945	80,434
Capital Outlay	2,172	4,622	8,982	-	-	1	36	5
Debt Service:								
Principal	26,951	24,582	21,419	15,704	16,955	16,528	18,653	11,428
Interest	20,174	21,542	21,832	22,980	23,501	24,426	19,778	7,743
Bond Issuance Costs	-	-	-	-	-	-	1,618	-
Total Expenditures	3,093,925	2,900,054	2,841,128	2,778,386	2,624,258	2,428,253	2,357,744	2,287,929
Excess of Revenues Over (Under) Expenditures	(263,983)	(205,836)	(51,548)	(181,135)	(99,202)	(42,459)	(23,604)	(96,923)
Other Financing Sources (Uses):								
Bonds Issued	2,175	-	5,950	10,000	12,635	-	278,045	-
Discount on Bond Issuances	-	-	-	-	(80)	-	(5,472)	-
Proceeds of Refunding Bonds	-	-	25,855	2,864	-	-	1,263	444
Payments on Advance Refundings	-	-	(26,715)	(2,932)	-	-	(1,274)	-
Premiums on Bond Issuance	44	-	15	280	-	-	-	-
Premiums on Refunding Bonds	-	-	1,165	149	10	-	60	-
Proceeds from Sale of Capital Assets	3,296	2,757	2,707	10,799	-	-	-	-
Capital Leases	-	-	-	-	-	-	935	-
Transfers In	383,285	436,670	370,854	415,783	361,842	295,628	575,562	378,226
Transfers Out	(265,348)	(311,538)	(257,737)	(298,868)	(244,727)	(183,247)	(464,079)	(270,322)
Net Other Financing Sources (Uses)	123,452	127,889	122,094	138,075	129,680	112,381	385,040	108,348
Special Item								
Sale of Railroad Infrastructure	-	-	-	34,337	-	-	-	-
Total Special Items	-	-	-	34,337	-	-	-	-
Net Change in Fund Balances	\$ (140,531)	\$ (77,947)	\$ 70,546	\$ (8,723)	\$ 30,478	\$ 69,922	\$ 361,436	\$ 11,425
Debt Service as a Percentage of Noncapital Expenditures								
	1.63%	1.71%	1.64%	1.53%	1.68%	1.79%	1.83%	0.89%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2009).

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



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

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

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

Notes:

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

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

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

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

Fiscal Year 2003				
	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable sales</u>	<u>Percent of Total</u>
Agriculture, Forestry, and Fishing	2,329	3.86%	\$ 130,298	1.10%
Mining	138	0.23%	33,672	0.29%
Construction	576	0.96%	25,046	0.21%
Manufacturing	1,671	2.77%	380,073	3.22%
Transportation and Public Utilities	3,656	6.05%	1,527,025	12.92%
Wholesale Trade	4,821	7.98%	1,262,450	10.68%
Retail Trade	21,316	35.30%	6,145,005	51.99%
Finance, Insurance, and Real Estate	1,515	2.51%	261,591	2.21%
Services	24,338	40.30%	2,053,825	17.38%
Public Administration	26	0.04%	549	0.01%
Nonclassifiable Establishments	3	0.00%	5	0.00%
Total	60,389	100.00%	\$ 11,819,539	100.00%

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

Notes:

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

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

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

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

Fiscal Year 2004			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,409	3.92%	\$ 149,210	1.18%
136	0.22%	36,058	0.28%
495	0.81%	16,041	0.13%
1,769	2.88%	400,590	3.15%
3,568	5.81%	1,756,328	13.83%
4,820	7.85%	1,434,049	11.29%
21,780	35.48%	6,506,744	51.24%
1,516	2.47%	265,752	2.09%
24,864	40.51%	2,134,617	16.81%
23	0.04%	560	0.00%
4	0.01%	117	0.00%
61,384	100.00%	\$ 12,700,066	100.00%

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

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

(dollars in thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities:								
Revenue Bonds	\$ 280,501	\$ 302,663	\$ 324,250	\$ 336,976	\$ 339,676	\$ 341,468	\$ 352,540	\$ 96,306
Trust Certificates	24,435	26,870	29,730	32,465	35,080	37,575	39,955	42,210
Capital Leases	29,632	30,971	30,992	30,925	34,413	34,729	34,255	38,368
Loans	-	-	-	-	-	-	-	44
Total Governmental Activities	334,568	360,504	384,972	400,366	409,169	413,772	426,750	176,928
Business-type Activities:								
Revenue Bonds	\$ 131,097	\$ 135,525	99,798	102,322	52,272	28,853	30,284	31,359
Capital Leases	-	-	-	4	13	21	29	25
Total Governmental Activities	131,097	135,525	99,798	102,326	52,285	28,874	30,313	31,384
Total Primary Government	\$ 465,665	\$ 496,029	\$ 484,770	\$ 502,692	\$ 461,454	\$ 442,646	\$ 457,063	\$ 208,312
South Dakota Total Personal Income	\$ 30,112,000	\$ 31,090,547	\$ 29,034,171	\$ 26,587,390	\$ 25,834,413	\$ 24,888,315	\$ 23,339,768	\$ 21,383,198
Debt as a Percentage of Personal Income	1.5%	1.6%	1.7%	1.9%	1.8%	1.8%	2.0%	1.0%
South Dakota Population (in thousands)	812	804	796	787	779	774	766	762
Long-Term Debt per Capita	\$ 573.48	\$ 616.95	\$ 609.01	\$ 638.74	\$ 592.37	\$ 571.89	\$ 596.69	\$ 273.38

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2002-2009)

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

Note: (a) South Dakota Total Personal Income figure for 2009 is preliminary.

(b) Data for Total Personal Income for 2002 through 2008 has been revised.

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

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

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

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

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

(dollars in thousands)

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

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

- Note:** (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.
- (b) For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, \$54,617,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2009.
- (c) Debt coverage on Clean Water bonds in FY 2005 is 36.46% because all but one previous bond issue was refunded during that fiscal year, so there was not any debt services payment on those bonds during that fiscal year.
- (d) The Educational Enhancement Funding Corporation was created in FY 2003.
- (e) All funds are presented on a accrual basis except for the Building Authority Fund which is presented on a cash basis.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2009	307,007	1.0%	20,336	0.6%	812	0.9%
2008	304,060	0.9%	20,206	0.7%	805	1.0%
2007	301,290	1.0%	20,061	0.7%	797	1.0%
2006	298,363	0.9%	19,916	0.7%	789	1.2%
2005	295,561	0.9%	19,772	0.6%	780	0.8%
2004	292,892	0.9%	19,663	0.6%	774	0.9%
2003	290,211	0.9%	19,551	0.5%	767	0.7%
2002	287,727	0.9%	19,461	0.5%	762	0.4%
2001	285,040	1.3%	19,371	0.7%	759	0.5%
2000**	281,422	0.9%	19,238	0.6%	755	0.7%

NOTE: Midyear (July 1) population estimates. Revised estimates for 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and estimates for 2009 were released December 2009. With each new release of July 1 population estimates, the Census Bureau revises estimates for years back to the last census.

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

** April 1, 2000

SOURCE: U.S. Bureau of the Census, Population Division.

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2008	\$ 12,225,589	2.9%	\$ 788,787	4.6%	\$ 31,091	7.1%
2007r	11,879,836	8.2%	753,857	5.5%	29,034	9.2%
2006r	10,977,312	-2.5%	714,334	9.1%	26,587	2.9%
2005r	11,256,516	15.9%	654,813	3.8%	25,834	3.8%
2004r	9,711,363	6.1%	630,728	5.4%	24,888	6.6%
2003r	9,150,320	3.1%	598,619	3.8%	23,340	9.2%
2002r	8,872,871	1.8%	576,806	2.5%	21,383	4.7%
2001	8,716,992	3.5%	562,733	3.1%	20,429	5.1%
2000	8,422,074	8.0%	545,882	6.7%	19,438	5.8%
1999	7,796,137	5.1%	511,507	3.9%	18,367	4.8%

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

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

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, October 2009.

UNEMPLOYMENT RATE **(Seasonally Adjusted)**

YEAR	SOUTH DAKOTA	UNITED STATES
*2009	4.8%	9.3%
2008	3.0%	5.8%
2007	2.9%	4.6%
2006	3.1%	4.6%
2005	3.7%	5.1%
2004	3.7%	5.5%
2003	3.5%	6.0%
2002	3.3%	5.8%
2001	3.1%	4.7%
2000	2.7%	4.0%

* Preliminary.

Estimates for 2000 through 2008 have been recently updated.

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

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2008	\$ 40,208	4.3%	\$ 39,082	6.8%	\$ 38,661	8.4%
2007	38,564	5.0%	36,587	5.9%	35,664	10.6%
2006r	36,744	6.0%	34,557	4.3%	32,241	0.2%
2005r	34,650	4.6%	33,123	3.3%	32,172	4.4%
2004r	33,123	5.1%	32,078	4.8%	30,813	5.6%
2003r	31,504	2.2%	30,618	3.3%	29,191	8.0%
2002r	30,821	0.8%	29,638	2.0%	27,029	0.4%
2001r	30,574	2.4%	29,052	2.6%	26,922	4.7%
2000r	29,845	6.8%	28,326	5.9%	25,721	5.1%
1999	27,939	3.9%	26,737	3.1%	24,475	4.2%
1998	26,883	6.1%	25,928	6.2%	23,488	7.0%

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

r = Revised

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

SOURCE: U.S. Department of Commerce, October 2009.

**State of South Dakota
Top Ten Employers
2008 as Compared to 1999**

2008 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	14,211	3.6%
2	Federal Government (Statewide)	11,233	2.8%
3	Avera System-Wide (SD)	9,088	2.3%
4	Sanford System-Wide (SD)	8,467	2.1%
5	Sioux Falls MSA Local Government**	8,221	2.1%
6	Rapid City MSA Local Government**	5,859	1.5%
7	Wal-Mart (SD)	5,043	1.3%
8	Sanford USD Medical Center (Hospital - Sioux Falls)	4,603	1.2%
9	Rapid City Regional Health System-Wide (SD)	4,500	1.1%
10	Wells Fargo (SD)	4,400	1.1%
		<u>75,625</u>	19.0%
	Total SD Employment 2008	<u>397,109</u>	

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

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

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

Note: (a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.

(b) Rapid City MSA includes the following counties: Pennington and Meade.

(c) Per LMIC, school district employment data is not available.

1999 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	12,969	3.6%
2	Federal Government (Statewide)	10,860	3.1%
3	Sioux Falls MSA Local Government**	6,731	1.9%
4	Gateway 2000 (North Sioux City & Sioux Falls)	6,120	1.7%
5	Rapid City MSA Local Government**	4,650	1.3%
6	Sioux Valley Hospital (Sioux Falls)	4,500	1.3%
7	Citibank South Dakota NA (Sioux Falls)	3,200	0.9%
8	John Morrell & Company (Sioux Falls)	3,100	0.9%
9	McKenna Hospital (Sioux Falls)	3,060	0.9%
10	Rapid City Regional Hospital (Rapid City)	2,690	0.8%
		<u>57,880</u>	16.3%
	Total SD Employment 1999	<u>355,822</u>	

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

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

Sources: FY 2000 Comprehensive Annual Financial Report. Company websites, public relations offices. SD State Govt, SF MSA Local Govt and RC MSA Local Govt figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).

Note: (a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.

(b) Rapid City MSA includes the following counties: Pennington and Meade.

(c) Per LMIC, school district employment data is not available.

NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY¹ **(Expressed in Thousands)**

	2009p	2008r	2007r	2006r	2005r	2004r	2003r	2002r	2001r	2000r
Natural Resources/Mining/Construction*	21.9	23.3	23.1	22.8	21.9	20.7	20.2	19.6	19.5	19.3
Manufacturing	38.4	42.6	42.0	41.6	39.8	38.9	37.7	38.4	41.0	43.8
Trade/Transportation/Utilities	81.6	82.2	81.6	80.1	78.9	77.2	76.4	76.5	77.0	76.9
Wholesale Trade	18.6	18.8	18.5	18.2	17.6	17.1	16.7	16.7	16.7	16.5
Retail Trade	49.8	50.3	50.2	49.2	49.3	48.5	48.2	48.1	48.3	48.3
Trans/Warehsing/Util	13.2	13.2	12.9	12.7	12.1	11.5	11.5	11.8	12.1	12.0
Information	6.8	7.0	7.2	6.9	6.8	6.7	6.8	6.8	6.8	6.9
Financial Activities	30.4	31.1	30.8	29.5	28.5	27.8	27.7	27.9	28.0	26.2
Professional/Business Svcs.	26.5	27.8	27.6	25.7	24.5	24.2	24.3	24.9	25.9	27.3
Educational/Health Services	63.6	62.1	60.0	58.5	57.4	56.5	55.4	54.0	52.6	51.3
Leisure and Hospitality	42.8	43.3	42.8	42.5	41.7	40.7	39.7	39.4	38.6	38.5
Other Services (Except Public Administration)	15.7	15.9	15.8	15.6	15.5	15.9	15.7	15.9	15.8	16.4
Government	77.3	76.0	75.6	75.3	75.3	75.0	74.6	74.2	73.4	71.2
TOTAL	405.0	411.4	406.4	398.6	390.1	383.7	378.4	377.5	378.7	377.9
% Change in Nonfarm Employment	-1.6%	1.2%	2.0%	2.2%	1.7%	1.4%	0.2%	-0.3%	0.2%	2.1%

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

¹ Based on NAICS.

p = Preliminary Data, r = Revised Data

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

SOURCE: Labor Market Information Center in cooperation with the U.S. Bureau of Labor Statistics.

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

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2009	399	\$217.0	9	\$0.0	408	\$217.0
2008	522	\$342.3	13	\$59.5	535	\$401.8
2007	528	\$733.4	8	\$2.7	536	\$736.1
2006	461	\$263.6	13	\$143.9	474	\$407.5
2005	344	\$221.0	16	\$54.1	360	\$275.1
2004	476	\$169.5	20	\$72.3	496	\$241.8
2003	496	\$191.5	21	\$206.0	517	\$397.5
2002	466	\$156.5	6	\$9.4	472	\$165.9
2001	544	\$141.6	13	\$96.5	557	\$238.1
2000	438	\$249.1	16	\$10.6	454	\$259.7

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

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



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

Function of State Government:	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General Government	1019	1000	993	990	979	964	974	975
Health, Human, and Social Services	3063	3051	3,054	3,113	3,083	2,995	2,992	2,887
Law, Justice, Public Protection, and Regulation	2119	2131	2,110	2,081	2,012	1,969	1,950	1,989
Agriculture and Natural Resources	918	908	899	907	911	891	884	865
Transportation	1000	1015	1,012	1,024	1,020	1,007	1,027	1,035
Education	223	224	237	240	242	227	235	226
Economic Resources	199	180	168	170	168	164	162	168
State Total	8,541	8,509	8,473	8,525	8,415	8,217	8,224	8,145

Source: State's Budget System RB03

Note:

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

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

	Fiscal Year		
	2009	2008	2007
General Government			
Executive Management			
Bureau of Finance and Management			
Complete Governors Budget Book	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual
Bureau of Information and Telecommunications			
Data Storage (GB)	N/A	N/A	10,347
SDPB Local Production (Hours)	1,480	736	740
Radio Calls through Digital Network	21,468,474	21,885,767	22,584,630
Bureau of Personnel			
Health: Employees, COBRA, Retirees/Dependents	13,316 / 11,568	13,171 / 11,696	13,133 / 11,846
Bureau of Administration			
Pieces of Mail Handled/Year	9,687,084	9,909,143	11,638,363
Total Miles Driven	37,136,509	38,788,928	38,180,716
Revenue			
Total Active Business Licenses	76,367	73,456	72,315
Vehicles Registered	1,113,254	1,168,616	1,129,972
Misc. Special Tax Licenses	5,298	5,580	5,672
Lottery			
Licensed Lottery Retailers--Instant	609	620	615
Licensed Lottery Retailers--On-line	480	476	447
Legislature			
Legislative Research Council	N/A	N/A	N/A
Auditor General			
Audits Performed	59	56	81
Audits Reviewed (IPA reports)	286	285	322
School and Public Lands			
Apportion common school interest fund and income to school districts (in Thousands)	\$ 10,997	\$ 8,771	\$ 8,453
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	\$ 1,990	\$ 1,967	\$ 2,026
Secretary of State			
Business and Secured Transaction Filings	97,572	100,959	101,215
State Treasurer			
Cash Receipts (Thousands)	\$ 3,812,475	\$ 3,843,830	\$ 3,705,226
Unclaimed Property - Claims Paid	6,113	6,505	5,084
State Auditor			
Vouchers Audited	283,596	287,358	287,076
Warrants Written	473,409	507,447	595,412
Health, Human, and Social Services			
Social Services			
Medicaid Enrolled/Month	104,520	102,310	100,393
Long Term Care Services - Clients Served	4,347	4,359	4,419
Health			
Immunization Rate, Children 19-35 months			
4:3:1:3:3 shot series	N/A	N/A	N/A
Public Health Investigations	12,365	13,014	12,922
Labor			
State Labor Force	445,980	443,765	440,030
Unemployment Rate	4.10%	2.80%	3.00%
South Dakota Retirement System			
Budget Compared to Assets	0.063%	0.045%	0.044%
Budget Compared to Benefits	1.180%	1.110%	1.220%
Veterans Benefits and Services			
South Dakota Veteran Population	73,500	74,273	73,325
State Veterans' Home			
Average Daily Census	129.3	123.9	119.4
Human Services			
People with Developmental disabilities served	2,814	2,776	2,762
People with mental illness served	13,261	12,901	12,246
People with substance abuse issues served	15,338	15,146	15,069
People receiving vocational rehabilitation services	5,606	5,714	6,508

Fiscal Year				
2006	2005	2004	2003	2002
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
6,273	1,732	822	624	374
719	615	533	381	355
18,719,091	14,377,144	13,200,000	7,200,000	1,000
13,105 / 11,713	12,853 / 11,093	12,535 / 10,856	12,344 / 10,625	12,419 / 10,370
9,977,094	10,286,652	10,381,413	10,053,075	10,494,749
39,406,852	39,017,332	37,488,578	37,197,089	37,053,900
70,685	68,691	67,219	64,839	63,222
1,135,960	1,102,710	1,081,123	1,052,766	1,031,453
8,030	7,977	7,532	7,319	7,182
609	597	589	567	569
407	365	353	345	348
N/A	N/A	N/A	N/A	N/A
69	73	83	97	78
293	271	308	275	260
\$ 8,265 \$	4,297 \$	6,649 \$	9,219 \$	10,381
\$ 1,753 \$	1,464 \$	1,275 \$	1,820 \$	2,100
95,518	102,162	90,387	73,792	97,641
\$ 3,625,844 \$	3,402,620 \$	3,300,787 \$	3,091,868 \$	2,954,343
6,138	8,398	13,410	4,376	3,180
309,479	310,579	292,110	290,140	289,321
634,882	737,425	899,687	936,117	947,737
100,274	97,810	95,043	91,123	85,516
4,452	4,642	4,634	4,792	4,720
N/A	87%	86%	81%	80%
15,416	16,711	13,080	11,716	9,146
432,442	427,374	426,196	421,980	415,903
3.50%	3.80%	3.50%	3.00%	3.40%
0.044%	0.049%	0.049%	0.059%	0.056%
1.260%	1.300%	1.400%	1.500%	1.600%
74,224	75,104	75,966	78,000	77,400
118.6	122	121	123	128
2,727	2,668	2,521	2,457	2,395
11,591	10,389	9,665	9,288	9,032
14,180	16,394	16,524	17,190	16,879
6,819	6,717	6,401	6,140	6,017

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

	Fiscal Year		
	2009	2008	2007
Law, Justice, Public Protection, and Regulation			
Corrections			
Adult System ADP (Average Daily Population)	3,428	3,373	3,412
Avg. Daily Population on Supervision	2,311	2,379	2,312
Juvenile Institutional and Placement ADP	497.6	461.2	488.6
Unified Judicial System			
Felony Offenses Filings/Pending	5,745 / 7,249	5,797 / 7,104	5,660 / 7,388
Class one Misdemeanor Filings/Pending	21,896 / 23,039	22,611 / 22,924	23,464 / 22,296
Class two Misdemeanor Filings/Pending	134,617 / 44,143	139,262 / 46,389	139,933 / 43,043
Attorney General			
New Cases Opened/Closed/Pending (thousands)	.8 / 1.1 / 2.1	1.1/ .9/2.0	1.1/1.0/1.9
Investigations Conducted by DCI	772	759	534
Public Safety			
Patrol of Public Highways (Hours)	130,503	124,763	139,828
Driver Licenses Issued	150,056	195,900	205,260
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,391	3,368	3,360
Assigned Strength of the Air Guard	1,108	1,012	1,008
Appraiser Program			
New / Renewed licenses	17 / 372	22 / 354	17 / 360
Revenue Financial Services			
Banking Institutions Examined	538	553	376
Dealer, Broker & Investment Advisor			
Agents Licensed	61,995	63,004	60,015
Renewed & Issued Insurance			
Appointments/Licenses	254,327	223,240	210,739
Revenue Boards and Commissions			
New & Renewed Licenses Issued	7,425	8,387	7,351
Public Utilities Commission			
Dockets Opened	199	227	306
Agriculture and Natural Resources			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	337 / 5,803	595 / 55,731	904 / 288,616
Dairy Inspections	1,444	1,300	1,350
Marketing Consultations	360	396	300
Insect & Disease Individual Assists	400	500	792
Game, Fish and Parks			
Total Park Visitations	7,638,828	7,371,201	7,326,503
Acres of Walk-In Areas	1,201,430	1,152,653	1,000,000
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	100M / 130	99.3M / 113	34.8M / 102
Total number of Regulated Facilities	26,328	25,677	24,445
Petroleum Release Compensation			
Petroleum Release Cases Initiated	70	45	22
Abandoned Tank site Cases Initiated	53	33	45
Transportation			
Transportation			
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	83.9	82.6	83.3
Percent of interstate pavement in excellent condition based on condition index	44.8	39.6	40.6
Education			
Student K-12 public school fall enrollment	121,015	121,089	120,278
Economic Resources			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 401.80	\$ 736.10	\$ 407.50
New Jobs Created (calendar year)	3,952	4,083	3,044
Tourism's Impact on South Dakota Economy (billions)	\$ 2.74	\$ 2.42	\$ 2.35

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

N/A= Not Applicable

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

Fiscal Year				
2006	2005	2004	2003	2002
3,466	3,177	3,059	2,954	2,781
2,011	2,243	1,945	1,667	1,471
510.1	512.1	519.7	513.6	468
6,970 / 7,462	7,032 / 7,970	6,895 / 6,936	6,277 / 5,978	6,784 / 6,033
24,064 / 22,570	22,094 / 20,330	20,542 / 18,144	20,107 / 16,948	19,502 / 16,422
141,405 / 43,614	142,605 / 40,449	142,025 / 36,983	141,508 / 39,580	148,326 / 39,853
1.2/1.2/1.9	1.3/1.2/1.9	1.5/1.4/1.8	1.2/1.2/1.6	1.5/1.2/1.5
599	580	683	622	636
136,428	125,844	129,575	123,880	129,431
198,755	189,727	134,282	199,115	204,675
3,425	3,425	3,425	3,410	3,355
1,015	1,030	1,025	1,035	1,084
33 / 361	30 / 360	33 / 331	38 / 316	31 / 329
609	606	618	632	554
54,396	51,146	47,593	44,937	48,410
211,904	196,873	218,679	206,237	173,550
7,759	6,577	7,861	6,492	7,364
258	306	435	327	314
762 / 47,860	412 / 7,309	622 / 73,585	455 / 116,933	564 / 55,976
1,549	1,532	1,691	N/A	1,916
220	240	280	265	380
390	373	430	777	234
7,202,975	7,148,102	7,413,106	7,256,419	7,115,630
1,080,000	935,163	903,000	883,827	821,267
91.4M / 135	108.2M / 150	34.5M / 117	47.1M / 113	54.5M / 110
23,123	20,711	20,525	20,328	20,000
29	27	21	29	16
38	53	69	171	794
77.8	76.6	74.9	71.3	75.4
35.2	24.1	33.8	30.1	28.9
120,682	121,327	123,058	124,470	125,612
\$ 275.10	\$ 241.80	\$ 397.50	\$ 165.90	\$ 238.50
3,202	3,046	2,190	2,398	2,633
\$ 2.16	\$ 2.02	\$ 1.75	\$ 1.66	\$ 1.50

State of South Dakota
Capital Asset Statistics by Function
as of June 30, 2009

	Fiscal Year			
	2009	2008	2007	2006
General Government				
Vehicles	2,683	2,879	2,711	2,636
Land (Acres)	760,828	760,832	760,832	761,295
Equipment	1,291	1,416	1,477	1,970
Buildings	15	13	13	21*
Infrastructure	0	0	0	0
Health, Human, and Social Services				
Vehicles	7	12	6	5
Land (Acres)	906	901	901	901
Equipment	479	510	566	540
Buildings	46	46	46	46
Infrastructure	0	0	0	0
Law, Justice, Public Protection, and Regulation				
Vehicles	281	314	313	323
Land (Acres)	2,313	2,313	2,313	2,313
Equipment	596	607	627	599
Buildings	68	67	70	54*
Infrastructure	0	0	0	0
Agriculture and Natural Resources				
Vehicles	309	326	326	300
Land (Acres)	350,245	348,552	297,796	293,775
Equipment	1,208	1,173	1,123	1,095
Buildings	48	48	35	34
Infrastructure	0	0	0	0
Transportation				
Vehicles	1,149	1,607	1,259	1,194
Land (Acres)	3,891	3,875	3,883	3,950
Land, ROW Roads	\$76,597,880	\$73,884,865	\$69,080,371	\$48,033,462
Land Improvements, Roads	\$512,410,674	\$512,410,674	\$512,498,327	\$512,216,849
Equipment	2,603	2,511	2,402	2,258
Buildings	98	96	96	88
Infrastructure				
-Roads: Lane Miles	8,862	8,862	8,864	8,886
-Bridges: Number of	1,809	1,805	1,800	1,805
-Railroads: Track Miles	513	513	513	328
Education				
Vehicles	0	0	0	0
Land (Acres)	33	33	33	33
Equipment	30	32	47	53
Buildings	22	22	22	25
Infrastructure	0	0	0	0
Economic Resources				
Vehicles	1	1	3	2
Land (Acres)	0	0	0	0
Equipment	36	37	39	41
Buildings	0	0	0	0
Infrastructure	0	0	0	0

* Restated balances

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

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

