

# South Dakota

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2013



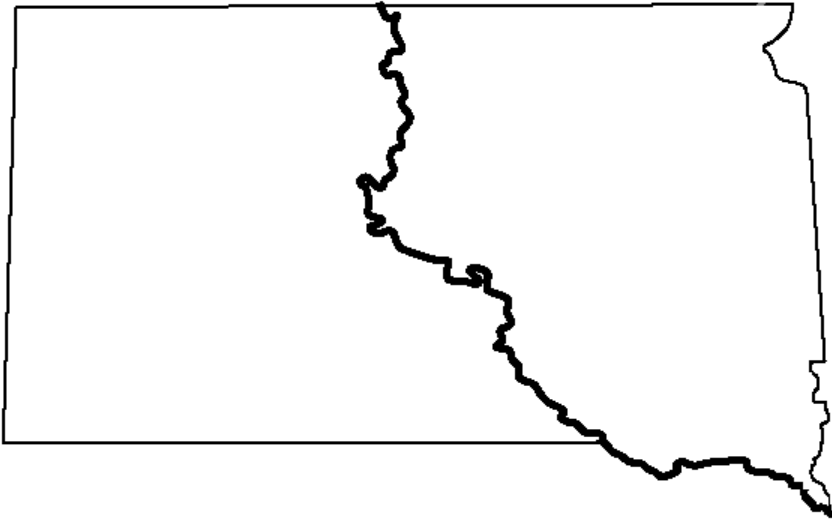
PREPARED BY BUREAU OF FINANCE AND MANAGEMENT  
JASON C. DILGES, CHIEF FINANCIAL OFFICER

*South Dakota*



GREAT FACES. GREAT PLACES. ©

***COMPREHENSIVE ANNUAL FINANCIAL  
REPORT  
FOR THE YEAR ENDED JUNE 30, 2013***



***DENNIS DAUGAARD, GOVERNOR***

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

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

# **A C K N O W L E D G E M E N T S**

**Report Prepared by Bureau of Finance and Management  
South Dakota Capitol Building  
Pierre, South Dakota**

**Jason C. Dilges, Chief Financial Officer**

**Keith Senger, Director of Accounting Analysis and Financial Reporting**

**Ronald D. Wire, Director of Internal Control and Compliance**

**Robert J. Norwick, Chief Accounting Analyst**

**Seth Hipple, Accounting Analyst**

**Tonya Johnson, Accounting Analyst**

**David Knigge, Accounting Analyst**

**Darcy McGuigan, Accounting Analyst**

**Justin Nagel, Accounting Analyst**

**Lori K. Sears, Accounting Analyst**

**Amanda Werre, Accounting Analyst**

**James A. Schaefer, Accounting Operations Manager**

**Terry J. Laqua, Accounting Operations Assistant Manager**

**Adam Hansen, Accounting Operations Specialist**

**Liza Clark, Chief Budget Analyst**

**Jim Terwilliger, Economist**



## **SPECIAL THANKS TO:**

**South Dakota Department of Legislative Audit, Pierre**

**All State Finance Officers and Accountants**

**Eric Feiler, Manager Central Duplicating**

**Brian Hahn, Graphic Designer**

**South Dakota Office of Tourism, Photographer, Front Cover**

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

**125 Copies printed by the Bureau of Finance and Management at \$9.50 each at Central Duplicating Services.**



March 14, 2014

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, 2013. This is our 27<sup>th</sup> *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies of state government and reporting entities for which the state has oversight responsibilities. Like previous reports, this report presents to you and the financial community the sound financial condition of South Dakota.

South Dakota's economy is expected to continue to gain strength. Our state's favorable business climate and strong agriculture base have helped the state's economy to outperform the national economy over the past several years. Recent data supports this, as the state's average annual income growth rate from calendar year 2008 through 2012 was 4.1%, which was the second highest growth rate of all states and much higher than the national growth rate of 2.5% over the same time period. In addition, South Dakota has expanded nonfarm employment by 2.4% since the national recession, while U.S. nonfarm employment is still 0.7% below its previous peak level as of December 2013. The unemployment rate in South Dakota was one of the lowest rates in the nation through fiscal year 2013, and remains that way today.

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Dennis Daugaard". The signature is written in a cursive, flowing style.

Dennis Daugaard

*South Dakota*



GREAT FACES. GREAT PLACES. ©

# TABLE OF CONTENTS

*Title Page*

*Acknowledgements*

*Governor's Letter*

## **INTRODUCTORY SECTION:**

Letter of Transmittal.....	1
Principal State Officials .....	8
Functions of State Government.....	9
State Organizational Chart .....	10

## **FINANCIAL SECTION:**

Independent Auditor's Report.....	11
Management's Discussion and Analysis .....	15

## **Basic Financial Statements ..... 33**

Statement of Net Position.....	34
Statement of Activities.....	36
Balance Sheet – Governmental Funds .....	38
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	39
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	40
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	41
Statement of Net Position – Proprietary Funds .....	42
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	43
Statement of Cash Flows – Proprietary Funds .....	44
Statement of Fiduciary Net Position – Fiduciary Funds .....	46
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	47

## **Notes to the Financial Statements..... 49**

## **Required Supplementary Information ..... 107**

Budgetary Comparison Schedule – General Fund .....	108
Budgetary Comparison Schedule – Transportation Fund.....	120
Budgetary Comparison Schedule – Social Services Federal Fund .....	121
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation .....	122
Notes to Required Supplementary Information – Budgetary Reporting.....	123
Information about the State of South Dakota's Other Postemployment Benefits .....	124

## **Combining Financial Statements ..... 125**

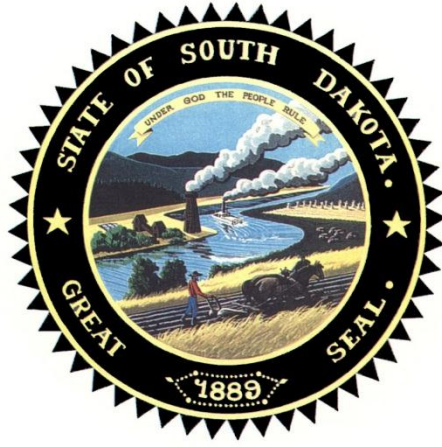
Combining Balance Sheet – Nonmajor Governmental Funds – By Type.....	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – By Type .....	127
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	132
Combining Balance Sheet – Nonmajor Debt Service Funds.....	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds.....	137
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	138
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds .....	140
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	142
Combining Statement of Net Position – Internal Service Funds .....	144

Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds .....	146
Combining Statement of Cash Flows – Internal Service Funds.....	148
Combining Statement of Fiduciary Net Position – Pension Trust Funds .....	150
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds .....	151
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds .....	152
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds .....	153
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds .....	155
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	156
Combining Statement of Net Position – Component Units .....	158
Combining Statement of Revenues, Expenses and Changes in Net Position – Component Units .....	159
Statement of Cash Flows – Higher Education .....	160
Combining Statement of Net Position – Nonmajor Component Units.....	162
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Component Units.....	163

**STATISTICAL SECTION:**

Net Position by Component, Last Ten Fiscal Years.....	165
Changes in Net Position, Last Ten Fiscal Years.....	166
Fund Balances, Governmental Funds, Last Ten Fiscal Years... ..	167
Changes in Fund Balances, All Governmental Funds, Last Ten Fiscal Years .....	168
Taxable Sales by Industry, Last Ten Fiscal Years .....	169
Sales Tax Revenue Payers by Industry, Last Ten Fiscal Years .....	170
Ratios of Outstanding Long-Term Debt, Last Ten Fiscal Years .....	172
Population (2004-2013).....	174
Total Personal Income (2003-2012).....	174
Unemployment Rate (2004-2013).....	175
Per Capita Personal Income (2003-2012).....	175
Top Ten Employers, 2013 as compared to 2004 .....	176
Nonfarm Wage and Salary Employment by Industry (2004-2013) .....	177
Expanded and New Industries (2004-2013).....	177
Capital Asset Statistics by Function as of June 30, 2013 .....	178
Operating Indicators by Function, Last Ten Fiscal Years .....	180
Full-Time Equivalent State Employees by Function of Government, Last Ten Fiscal Years .....	184





---

# ***INTRODUCTORY SECTION***

---

*South Dakota*



GREAT FACES. GREAT PLACES. ©



# DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

500 East Capitol Ave. • Pierre, South Dakota 57501-5070 • Voice: (605) 773-3411 • Fax: (605) 773-4711

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

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

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (hereinafter referred to as the State) for the fiscal year ended June 30, 2013.

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

The CAFR is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section*, which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2013 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 information about the State's other postemployment benefits; and Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

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

**Independent Auditors.** The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2013, 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 the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditor's Report.

## **PROFILE OF THE GOVERNMENT**

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

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

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

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

**State Reporting Entity.** The State's reporting entity reflected in the CAFR, which is described more fully in the Notes to the Financial Statements, conforms to the requirements of GASB. The accounting and reporting principles are based primarily on the fundamental concept that publicly elected officials are accountable to their constituents. Further, the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Organizations qualify as component units if the legally separate tax-exempt organization's resources directly benefit, or primarily benefit the State, and the State is financially accountable to that organization. The State is considered financially accountable to an organization if the State appoints a voting majority of the organization's governing body and is able to impose its will on that organization or if the organization can potentially provide specific and material financial benefits to, or burdens on the State, whether the State appoints the board or not. 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 and the South Dakota Value Added Finance Authority, should be read to obtain a complete overview of their financial position.

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

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

More information on the risk management activities can be found in the Notes to the Financial Statements.

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

Total investment income for all funds invested by the Investment Council was \$1.681 billion for fiscal year 2013. Income for the most recent five years totaled \$3.350 billion and, since inception, has exceeded \$12.5 billion. The Investment Council has grown from \$133.0 million in assets under management at the end of its first year to \$11.3 billion at June 30, 2013.

Investment Council management of the Cash Flow Fund portfolio resulted in earnings this year of \$17.4 million, a yield of 1.47%. The Cash Flow Portfolio has earned taxpayers \$1.05 billion over the past 41 years.

The South Dakota Retirement System's assets have returned 10.6% for the past 40 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top one percentile against other state pension funds.

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

**Lottery.** The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 32 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2013, \$2.25 billion has been generated to fund many public programs and projects. Lottery provided \$107.5 million income (before transfers) during fiscal year 2013.

**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 9.8% in 2004 to 0% in 2013. The funded ratio increased from 97.7% in 2004 to 100% in 2013. The funded ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation. In fiscal year 2013, SDRS experienced a 19.53% market return, more than the assumed rate of return of 7.25%.

Plan assets at fair value in 2013 were \$9.0 billion compared to plan assets in 2004 of \$5.5 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 eighteen years. The system is subject to an annual actuarial valuation and annual audit performed by an independent audit firm.

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

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

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

### **ECONOMIC CONDITIONS AND OUTLOOK**

Employment growth is an important indicator of the state's economic health. The national economic recession had a negative impact on employment during 2009 and 2010, but positive employment growth returned for the past three years. South Dakota nonfarm employment declined 1.9% in 2009 and 0.1% in 2010, but rebounded with growth rates of 1.1% in 2011, 1.7% in 2012, and 1.4% in 2013 on a calendar year basis. This compares to the United States nonfarm employment growth of -4.3% in 2009, -0.7% in 2010, 1.2% in 2011, 1.7% in 2012, and 1.7% in 2013.

In fiscal year 2013 (July 2012 – June 2013), nonfarm employment in South Dakota grew 1.4% compared to the national growth rate of 1.6% over the same time period. Although South Dakota's employment growth during the fiscal year was slightly lower than the national growth rate, South Dakota's fiscal year 2013 level of employment was 1.8% higher than the previous peak employment (fiscal year 2008), while the national level of employment was still 2.1% below the previous peak employment (fiscal year 2008). Sectors that experienced growth in fiscal year 2013 in South Dakota included: manufacturing; trade, transportation, and utilities; financial activities; education and health services; leisure and hospitality; other services; and government. Sectors that experienced declines during fiscal year 2013 include: mining, logging, and construction; information; and professional and business services.

The unemployment rate in South Dakota declined over the course of fiscal year 2013 and continued to remain one of the lowest in the nation due to an improving economy. In June of 2013, South Dakota's unemployment rate was 3.9%, a full 0.5% lower than the 4.4% rate from a year earlier. The state unemployment rate in June of 2013 was nearly half the U.S. unemployment rate of 7.5% for the same month.

Income growth is another important indicator of the state's economic health. In calendar year 2012, which is the most recent annual data that is available, South Dakota's personal income grew 2.4%. The lower growth rate in 2012 is primarily due to a decrease in farm income due to a severe drought that covered much of the state in 2012. However, over the past four years, the trend in total personal income growth has been strong. From 2008 through 2012, South Dakota's average personal income growth rate was 4.1%, which ranked second in the nation over this time period. This was much higher than the national growth rate of 2.5% and the seven state Plains region growth of 2.8%. Over the same time period the other Plains region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced average income growth rates of 3.2%, 2.2%, 2.8%, 1.6%, 3.5%, and 9.3%, respectively. South Dakota's per capita personal income was \$45,381 in 2012, 3.8% higher than the U.S. average per capita income. In the past 10 years, South Dakota per capita personal income has improved from 90.0% of the US average in 2002 to 103.7% of the US average in 2012.

In the past several years, a strong agriculture economy helped the State's economy grow during challenging economic times. From 2008-2012, farm income averaged over \$2.9 billion per year, with 2011 being the highest farm income on record in South Dakota at \$4.0 billion. In 2013, farm income is anticipated to be strong due to strong crop production and higher livestock prices compared to 2012.

The outlook for South Dakota's economy is cautiously optimistic. Continued employment and income growth with a strong agriculture sector have contributed to economic growth since the national recession. As of December 2013, South Dakota's nonfarm employment levels were 6,000 jobs, or 1.4% higher when compared to a year earlier. In addition, the unemployment rate in South Dakota is currently at 3.6%, much lower than the U.S. unemployment rate of 6.7% as of December 2013. South Dakota's economy is expected to continue to grow in 2014 and 2015 as the State continues to boast one of the lowest state per capita taxes in the nation. The state's business friendly environment combined with a healthy farm economy will help South Dakota's economy expand in the future.

## MAJOR INITIATIVES

Governor Daugaard is focusing on strengthening the State's financial condition, improving the State's criminal justice system, advancing research and promotion at the Sanford Underground Research Facility, and providing quality education, and economic development opportunities to the citizens of South Dakota.

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

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

- The State has always taken the position that the Constitution of the State of South Dakota requires the State's budget be balanced and thus the State Legislature has always passed a balanced budget. However the language in the Constitution was unclear and ambiguous. At the request of Governor Daugaard, HJR 1007 was passed during the 2012 Legislative Session. This resolution legislatively referred a constitutional amendment to a public vote. At the November 6, 2012 General Election, the voters of South Dakota passed this constitutional amendment which clarified the balanced budget provisions within the Constitution of the State of South Dakota. Specifically, it requires the Governor to propose and the Legislature to pass an annual budget in which expenditures and appropriations may not exceed anticipated revenue. Although this Constitutional amendment provided clarity, it did not change the balanced budget philosophy that the State has followed since statehood.
- In 1991 South Dakota Legislature established a General Fund Budget Reserve, and in 1996 created the Property Tax Reduction Fund. The combined accrual basis balance of these two reserve accounts for fiscal years 2009, 2010 and 2011 was \$111.8 million, \$111.6 million and \$111.2 million. Through sound budgeting and spending practices, these combined reserves accrual basis balances have remained stable during that three year fiscal period and has increased to \$139.0 million in FY12 and \$163.1 million in FY13.
- The long-term experience of SDRS has been very favorable, resulting in a funded status that exceeds virtually all other statewide public retirement systems. The SDRS Funded Ratio based on market value of assets was 103.2% in June 2013 compared to 76% for an average of statewide public systems and 93% in June 2012 compared to 70% for other statewide public systems.
- In 1987 the State of South Dakota issued its first CAFR. That report contained an unqualified opinion from the Department of Legislative Audit (the independent auditors). The Independent Auditor's Report included in this report represents the 27<sup>th</sup> consecutive year South Dakota has received an unqualified opinion on our CAFR. Additionally, it is Governor Daugaard's goal for future CAFRs to be issued 6 months after the close of the fiscal year. To achieve this goal, Governor Daugaard's FY15 Budget Request to the 89<sup>th</sup> Legislative Assembly asked for additional resources geared toward achieving that goal. The Governor's FY16 Budget Request will also call for additional resources. Should those resources be appropriated, it is anticipated the FY16 CAFR will be issued by December 31, 2016, six months after the close of the fiscal year.
- Another aspect of strengthening the state's financial practices is for longer term financial planning. Per current state law, the Governor is required to propose and the Legislature is required to adopt an annual budget plan each fiscal year. In addition to focusing on the short-term annual budget as required by state law, the state's goal is to also implement longer range budget planning. Implementing longer term budget forecasting and planning will help identify long term financial risks earlier in the process. This enhancement to current practices will provide decision makers with additional information to make sound decisions regarding the annual budget as well as the issuance of debt over a longer period of time. Additionally, on March 14, 2013, the EEFC issued Series 2013A Tobacco Settlement Revenue Bonds (taxable) in the amount of \$123,010,000 and Series 2013B Tobacco Settlement Revenue Bonds (tax exempt ) in the amount of \$46,635,000 which refunded the Series 2002A taxable bonds in the outstanding amount of \$54,035,000 and the Series 2002B tax exempt bonds in the outstanding amount of

\$129,540,000. The Series 2013A and B bond interest rates ranged from 0.8% to 5.0% compared to 6.5% to 6.72% for the Series 2002 A and B bonds. The projected present value savings of the Series 2013A and B bonds is \$42,929,150 which will be realized in the Education Enhancement Trust Fund. These bonds received a dual rating by Standard and Poor's. The Series 2013 bonds are rated A through the June 1, 2023 maturity and A- for the bonds maturing on June 1, 2024 through June 1, 2027.

- House Bill 1206 from the 2014 Legislative Session if passed and signed by the Governor will provide \$56.3 million for lease rental agreements. This would remove three state bonds from the South Dakota Building Authority's balance sheet. This also includes principle and interest for a fourth bond if that bond is called at its call date.
- Senate Bill 152 from the 2014 Legislative Session if passed and signed by the Governor will appropriate the funding needed to move the South Dakota Cement Plant Retirement System from a funded status of 87.7% as of June 30, 2013, to a 107% funded status when compared with the South Dakota Retirement System. The plans will then be consolidated, providing a more secure future for the South Dakota Cement Plant Retirement System.

**Public Safety Improvement Act.** In the past 35 years, South Dakota's prison population increased 500%. In response, state leaders formed the South Dakota Criminal Justice Initiative Work Group, which was charged with analyzing sentencing and corrections data and developing policies to safely curtail prison growth. The work group recommended a package of policies which resulted in the Public Safety Improvement Act. Its purpose is to improve public safety by strengthening supervision, holding offenders more accountable, focusing prison space on violent and career criminals, and ensuring quality and sustainability of reforms while controlling corrections spending. The Act is projected to save state taxpayers approximately \$162 million in averted prison construction and operating expenses through 2022.

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

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

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

**Building South Dakota.** The sunset of the SDCL 10-45B large project refund program and the defeat of referred law 14 left South Dakota without optimal economic development tools. In response, a bipartisan team of legislative leadership worked together to formulate a comprehensive economic development package with built in safeguards



to ensure fiscal responsibility, transparency and accountability. The multi-faceted approach set forth in Senate Bill 235 from the 2013 Legislative Session focuses on education, housing, infrastructure, local economic development efforts, and large and small project needs. One component of the legislation provides for the Board of Economic Development to approve discretionary reinvestment payments, up to the amount of sales and use tax paid on project costs, for new or expanded facilities with a total project cost in excess of \$20 million, and for equipment upgrades with a total project cost in excess of \$2 million. This bill also creates the Building South Dakota fund, and allocates a one-time appropriation of \$7.0 million in fiscal year 2014 for the initial capitalization of the fund.

Senate Bill 158 from the 2014 Legislative Session if passed and signed by the Governor amends the ongoing funding mechanism for the Building South Dakota Fund. Instead of using unclaimed property revenue, the bill guarantees a lump sum of funds to ensure adequate resources for multiple years. This funding mechanism occurs if the budget reserve and property tax reduction fund combined has a cash balance over ten percent of the general fund appropriations from the general appropriations act for the prior year. Also, the combined cash balances of the Building South Dakota fund and its subfunds would receive additional year end funds not to exceed one percent of the general fund appropriations in the general appropriations act for the previous fiscal year. In the 2014 Legislative Session, Senate Bill 157 also appropriates \$30 million to the Building South Dakota fund, with \$10 million being disbursed to the five subfunds each fiscal year starting in FY2014.

The Building South Dakota fund is allocated as follows:

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

#### **ACKNOWLEDGMENTS**

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

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

Respectfully Submitted,



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

# **SOUTH DAKOTA FY2013 PRINCIPAL STATE OFFICIALS**

## ***EXECUTIVE BRANCH***

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

## ***CONSTITUTIONAL OFFICERS***

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

## ***PUBLIC UTILITIES COMMISSION***

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

## ***LEGISLATIVE BRANCH***

**The Honorable Brian Gosch  
Speaker of the House**

**The Honorable Russell Olson  
Senate Majority Leader**

**The Honorable Jason Frerichs  
Senate Minority Leader**

**The Honorable David Lust  
House Majority Leader**

**The Honorable Bernie Hunhoff  
House Minority Leader**

## ***JUDICIAL BRANCH***

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

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

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

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

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

# **SOUTH DAKOTA FY2013 FUNCTIONS OF STATE GOVERNMENT**

## ***GENERAL GOVERNMENT***

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

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

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

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

CORRECTIONS  
UNIFIED JUDICIAL SYSTEM  
ATTORNEY GENERAL  
PUBLIC SAFETY  
MILITARY  
APPRAISER PROGRAM  
LABOR FINANCIAL SERVICES  
LABOR BOARDS AND COMMISSIONS  
REVENUE-COMMISSION ON GAMING  
PUBLIC UTILITIES COMMISSION

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

AGRICULTURE  
GAME, FISH, AND PARKS  
ENVIRONMENT AND NATURAL RESOURCES

## ***TRANSPORTATION***

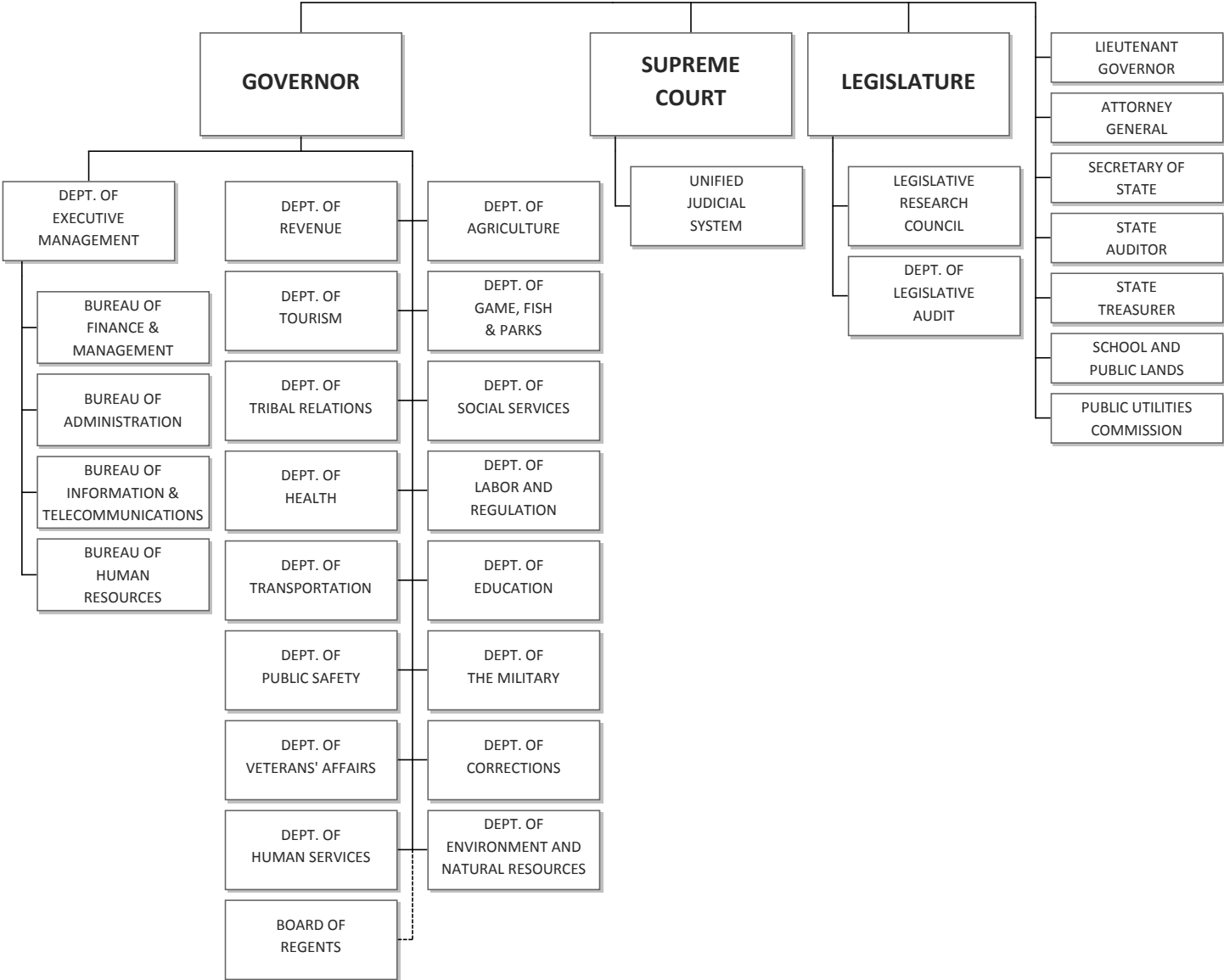
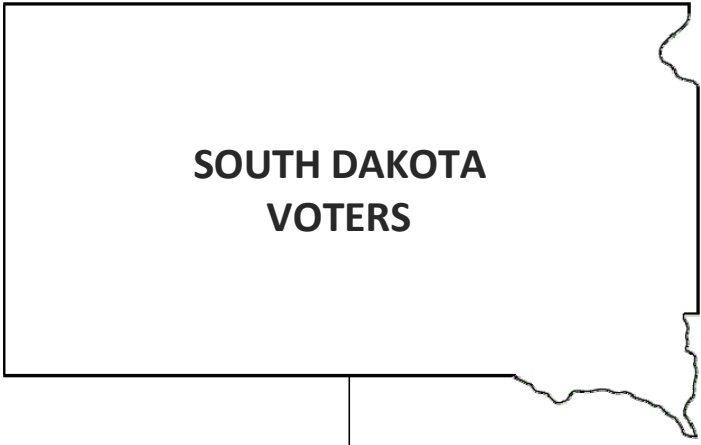
TRANSPORTATION

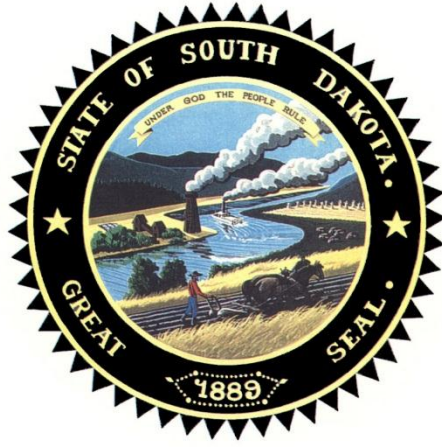
## ***EDUCATION***

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

## ***ECONOMIC RESOURCES***

TOURISM  
ECONOMIC DEVELOPMENT  
TRIBAL RELATIONS





---

# ***FINANCIAL SECTION***

---

*South Dakota*



GREAT FACES. GREAT PLACES. ©



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

MARTIN L. GUINDON, CPA  
 AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard  
 Governor of South Dakota

and

Members of the Legislature  
 State of South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Dakota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Authority, the South Dakota Ellsworth Development 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	7.4%	19.2%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Authority	51.6%	10.0%
South Dakota Ellsworth Development Authority	.3%	.1%
Foundations of Higher Education	13.7%	18.8%

Aggregate remaining fund information:

Unemployment Insurance Fund	.6%	1.3%
South Dakota Retirement System	87.5%	42.0%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 32, the budgetary comparison schedules on pages 108 through 123 and information about the State's other postemployment benefit plan on page 124 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual fund financial statements on pages 126 through 163 and the introductory and statistical sections on pages 1 through 10 and 165



through 184, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2014 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Martin L. Guindon, CPA  
Auditor General

March 14, 2014



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The following is a discussion and analysis of the State of South Dakota's (hereinafter referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

#### **Government-wide**

- Total assets of the State exceeded its total liabilities at the close of the fiscal year by \$5.5 billion (reported as net position), an increase of \$269.0 million from the previous year. Certain resources within the total net position balance have restrictions and internally imposed limitations that are discussed within the *Government-wide Financial Analysis* section of this document. Component units reported net position of \$1.6 billion, an increase of \$102.1 million from the previous year.

#### **Fund Level**

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.7 billion, an increase of \$146.4 million. Of the \$1.7 billion in combined ending fund balance, \$720.5 million is nonspendable and \$552.0 million is restricted by outside sources or enabling legislation. Another \$44.0 million is committed by state law and \$176.6 million has been assigned for various specific purposes. The remaining \$185.0 million is unassigned according to GASB 54. Please refer to the Notes to the Financial Statements for further explanation and breakdown of these balances. Certain resources within the \$185.0 million of the unassigned fund balance have internally imposed limitations that are discussed throughout the *Financial Analysis of the State's Funds* section of this document and the Notes to the Financial Statements.
- Proprietary funds reported net position at year-end of \$567.3 million, an increase of \$24.6 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, 2013, totaled \$496.1 million, a decrease of \$35.0 million from the last fiscal year-end. The decrease represents the net difference between new issuances, payments and refundings of outstanding debt.
- During the fiscal year, the South Dakota Building Authority did not issue any new bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business-type Activities. The South Dakota Building Authority issued \$9.7 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 Position** presents information on all of the State's assets and liabilities, with the difference between the two reported as "net position." Over an extended period of time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.
- **The Statement of Activities** presents information depicting how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and the Statement of Activities segregate the activities of the State into three types:

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

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

## ***Fund Financial Statements***

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

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

Since the focus of governmental funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the State's short-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund's financial statements.

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 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. The following three are considered major funds: Lottery Fund, Clean Water State Revolving Fund, and Drinking Water State Revolving Fund. These three proprietary funds are presented separately in the Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position. Information from the remaining funds is combined into two separate, aggregated columns by proprietary fund type. Individual fund data for some nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

- ***Fiduciary Funds.*** Fiduciary funds (e.g., South Dakota Retirement System) are used to report activities when the State acts as a trustee or fiduciary to hold resources for the benefit of parties outside state government. The 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. This section also contains information about the State's Other Postemployment Benefit plans.

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

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

The information about the State's Other Postemployment Benefit plans includes the Schedule of Funding Progress and the Schedule of Employer Contributions.

### ***Other Supplementary Information***

Other Supplementary Information includes Combining Financial Statements for: nonmajor governmental funds, proprietary funds, fiduciary funds, and component units that are incorporated into the Basic Financial Statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Position.** As presented in the following table, total assets of the State on June 30, 2013 were \$6.5 billion, while total liabilities were \$1.0 billion, resulting in combined net position (governmental and business-type activities) of \$5.5 billion.

State of South Dakota						
Net Position						
(Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets, as restated	\$2,063,447	\$1,945,551	\$776,168	\$758,668	\$2,839,615	\$2,704,219
Capital Assets	3,670,081	3,591,131	4,379	3,893	3,674,460	3,595,024
<b>Total Assets</b>	<b>5,733,528</b>	<b>5,536,682</b>	<b>780,547</b>	<b>762,561</b>	<b>6,514,075</b>	<b>6,299,243</b>
Long-Term Liabilities Outstanding	402,984	417,457	214,167	223,993	617,151	641,450
Other Liabilities, as restated	337,756	369,399	15,334	13,576	353,090	382,975
<b>Total Liabilities</b>	<b>740,740</b>	<b>786,856</b>	<b>229,501</b>	<b>237,569</b>	<b>970,241</b>	<b>1,024,425</b>
Net Position:						
Net Investment in Capital Assets	3,548,433	3,480,152	4,379	3,893	3,552,812	3,484,045
Restricted, as restated	1,241,520	1,114,962	916	891	1,242,436	1,115,853
Unrestricted, as restated	202,835	154,712	545,751	520,208	748,586	674,920
<b>Total Net Position</b>	<b>\$4,992,788</b>	<b>\$4,749,826</b>	<b>\$551,046</b>	<b>\$524,992</b>	<b>\$5,543,834</b>	<b>\$5,274,818</b>

The largest component of the State's net position, 64.1%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position makes up 22.4% of total net position. The net position is subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation on how they can be used. The majority of the restricted net position is restricted for funds held as permanent investments, either as expendable (\$155.8 million) or nonexpendable (\$696.3 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. At the November 6, 2012 General Election, the voters of South Dakota passed a constitutional amendment that replaces the \$12.0 million yearly transfer to the General Fund with a yearly transfer of 4% of the market value of the State Cement Plant to the General Fund for the support of education starting in fiscal year 2013. The fund balance in the Dakota Cement Trust Fund at June 30, 2013 was \$268.8 million, an increase of \$32.1 million from the previous year. The increase resulted primarily from investment income exceeding the minimum required transfer to the General Fund. The Dakota Cement Trust Fund transferred \$9.4 million to the General Fund in fiscal year 2013."

- **Health Care Trust Fund.** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, “the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature.” The fund balance in the Health Care Trust Fund at June 30, 2013 was \$117.1 million, an increase of \$14.2 million from the previous year due primarily to investment income exceeding the minimum required transfer to the General Fund. On an accrual basis, the Health Care Trust Fund transferred \$4.0 million to the General Fund in fiscal year 2013.
- **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, 2013 was \$426.6 million, an increase of \$53.8 million from the previous year. The increase resulted primarily from investment income exceeding the minimum required transfer to the General Fund. On an accrual basis, the Education Enhancement Trust Fund transferred \$14.4 million to the General Fund in fiscal year 2013.

The combined fund balance of these three trust funds totals \$812.6 million. Aside from the constitutionally authorized annual distributions described above, these trust funds can only be accessed through a constitutional amendment (Dakota Cement Trust Fund) or by a three-fourths vote of the legislature (Health Care Trust Fund and Education Enhancement Trust Fund).

The remaining balance, \$748.6 million, is defined by accounting standards as “unrestricted” net position. However, much of the unrestricted net position balances cannot be used to meet the State’s general ongoing obligations to citizens and creditors as resources because of limitations imposed by federal regulations, bond covenants, constitutional provision or state law. Limitations on unrestricted net position imposed by federal regulations and bond covenants include \$194.7 million within the Clean Water State Revolving Fund and \$154.9 million within the Drinking Water State Revolving Fund. Other federal and state regulation limitations include, but are not limited to, \$103.1 million within the Revolving Economic Development and Initiative Fund, \$57.6 million for unemployment insurance claims, \$7.0 million for revolving loan programs, and \$5.7 million for health and public assistance.

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

- **General Fund Budget Reserve.** The 1991 South Dakota Legislature established a General Fund Budget Reserve whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2013 was \$95.3 million, an increase of \$24.2 million from the previous year.
- **Property Tax Reduction Fund.** Senate Bill 225, passed during the 1996 legislative session, created the “Property Tax Reduction Fund” (PTRF). Its intent is to fund property tax relief in South Dakota by decreasing local effect and increasing the state share in funding education. This law provides that the Commissioner of Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from four sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, (3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; and (4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. This statutorily created fund does not qualify as a special revenue fund under GASB 54. Starting in FY11, it is being reported as a subfund of the General Fund. It is and will



continue to be budgeted for, accounted for and tracked separately on the State's budget and accounting system. The fund balance in the Property Tax Reduction Fund at June 30, 2013 was \$67.8 million, a decrease of \$0.1 million from the previous year. \$107.3 million from the property tax reduction fund was used to provide property tax relief through state aid to education in FY2013.

**Changes in Net Position.** The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net position changed during fiscal year 2013.

(Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues:						
Charges for Service, as restated	\$ 421,983	\$ 380,322	\$ 246,958	\$ 248,132	\$ 668,941	\$ 628,454
Operating Grants and Contributions	1,588,413	1,670,046	30,519	30,910	1,618,932	1,700,956
Capital Grants and Contributions	1,046	1,608			1,046	1,608
General Revenues:						
Sales Taxes	802,700	779,002			802,700	779,002
Motor Fuel Taxes	139,048	130,864			139,048	130,864
Contractors Excise Taxes	94,967	90,636			94,967	90,636
Bank Card and Franchise Taxes, as restated	49,493	29,337			49,493	29,337
Other Taxes	299,726	297,750			299,726	297,750
Investment Earnings	130,881	29,925			130,881	29,925
Gain on Sale of Capital Assets	2,127	3,915			2,127	3,915
Miscellaneous	76,047	51,652			76,047	51,652
<b>Total Revenue</b>	<b>3,606,431</b>	<b>3,465,057</b>	<b>277,477</b>	<b>279,042</b>	<b>3,883,908</b>	<b>3,744,099</b>
<b>Program Expenses:</b>						
General Government	169,843	164,005			169,843	164,005
Education – Elementary, Secondary and Vocational Schools	201,177	211,413			201,177	211,413
Education – State Support to Higher Education	176,294	171,701			176,294	171,701
Health, Human and Social Services	1,367,355	1,354,764			1,367,355	1,354,764
Law, Justice, Public Protection and Regulation	277,223	286,127			277,223	286,127
Agriculture and Natural Resources	144,245	130,279			144,245	130,279
Economic Resources	43,300	40,865			43,300	40,865
Transportation	537,497	482,400			537,497	482,400
Intergovernmental – Payments to School Districts	394,857	375,008			394,857	375,008
Intergovernmental – Revenue Sharing	141,514	122,320			141,514	122,320
Unallocated Interest Expense	14,537	17,393			14,537	17,393
Unallocated Depreciation	53	53			53	53
Lottery			44,114	39,877	44,114	39,877
Clean Water State Revolving			10,898	16,406	10,898	16,406
Drinking Water State Revolving			10,337	10,936	10,337	10,936
Other			81,648	92,096	81,648	92,096
<b>Total Expenses</b>	<b>3,467,895</b>	<b>3,356,328</b>	<b>146,997</b>	<b>159,315</b>	<b>3,614,892</b>	<b>3,515,643</b>
Excess (Deficiency) Before Transfers	138,536	108,729	130,480	119,727	269,016	228,456
Transfers	104,426	100,257	(104,426)	(100,257)	0	0
Change in Net Position	242,962	208,986	26,054	19,470	269,016	228,456
Net Position – Beginning, as restated	4,749,826	4,540,840	524,992	505,522	5,274,818	5,046,362
<b>Net Position – Ending, as restated</b>	<b>\$ 4,992,788</b>	<b>\$ 4,749,826</b>	<b>\$ 551,046</b>	<b>\$ 524,992</b>	<b>\$ 5,543,834</b>	<b>\$ 5,274,818</b>

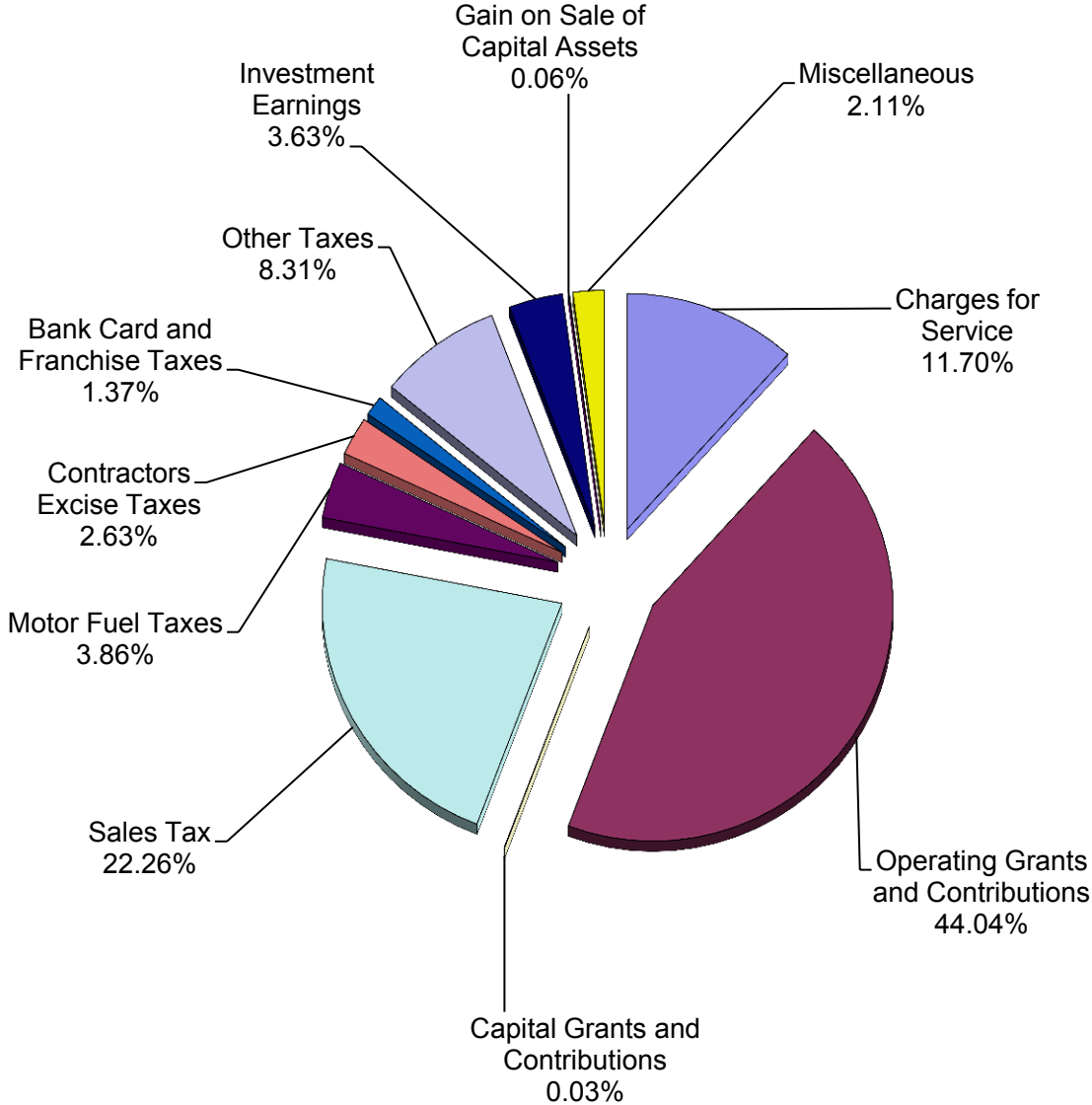
### **Governmental Activities:**

The State's net position for Governmental Activities increased by \$243.0 million, or 5.1%, from its current operations. This was the result of the net effect of the following: (1) \$3.6 billion revenues (an increase from the prior year of \$141.4 million); less (2) \$3.5 billion expenses (an increase over the prior year of \$111.6 million); plus (3) net transfers of \$104.4 million (primarily from "transfers in" from the South Dakota Lottery in the amount of \$107.7 million).

- The increase in revenues was primarily due to a \$101.0 million increase in investment earnings, \$41.7 million increase in charges for services and a \$23.7 million increase in sales taxes offset by a \$81.6 million decrease in operating grants and contributions.
- The increase in expenses was primarily due to a \$55.1 million and \$19.8 million increase in Transportation and Payments to School Districts functions of government, respectively.

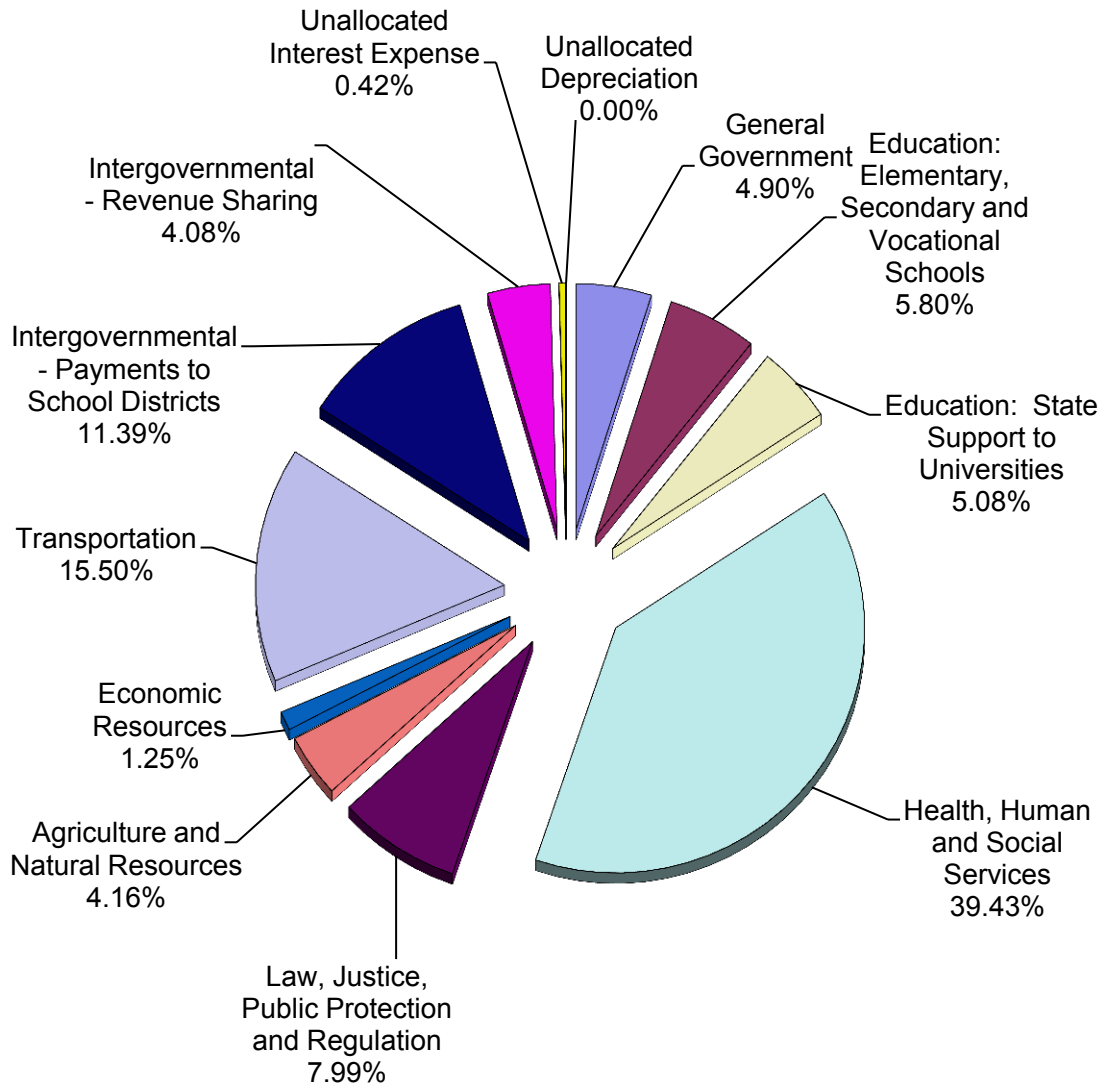
The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2013:

### State of South Dakota Revenues - Governmental Activities Fiscal Year Ended June 30, 2013



**Total Revenues \$3,606,431**  
(Expressed in Thousands)

**State of South Dakota  
Expenses - Governmental Activities  
Fiscal Year Ended June 30, 2013**



**Total Expenses \$3,467,895**  
(Expressed in Thousands)

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

- Net position of the business-type activities increased by \$26.1 million due to total revenues exceeding total expenses and transfers out.

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

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

### ***Governmental Funds***

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

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.7 billion, an increase of \$146.4 million during the year.

Approximately 43.0%, or \$720.5 million, of the combined ending fund balances, is nonspendable; predominately made up of the Dakota Cement Trust, Health Care Trust, and the Education Enhancement Trust funds to be held as permanent investments. Approximately 32.9%, or \$552.0 million, of the combined ending fund balances, is restricted by outside sources or enabling legislation. 2.6%, or \$44.0 million, of the combined balance is committed by state law and 10.5%, or \$176.6 million, has been assigned internally for specific purposes. The remaining \$185.0 million or 11.0% is unassigned according to GASB 54. Certain resources within the \$185.0 million of the unassigned fund balance have other internally imposed limitations as discussed below. (Please refer to Notes to the Financial Statements for a further explanations and breakdown of these balances.)

The following governmental funds are major funds and had significant impact on the state's financial position during fiscal year 2013:

- ***General Fund.*** The General Fund is the chief operating fund of the State. With the implementation of GASB 54 in FY11, seven statutorily created accounts no longer qualify as Special Revenue Funds and were required to be combined with the State's General Fund. During FY13, an additional two funds were combined with the State's General Fund. The General Fund and these nine funds were, and will continue to be budgeted for, accounted for and tracked separately on the State's budget and accounting systems.

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

	<u>General Fund Beginning Fund Balance</u>	<u>General Fund Ending Fund Balance</u>
<b>Fund Balance - General Fund, as restated</b>	<b>\$ 285,465</b>	<b>\$ 317,753</b>
<b>Less: Statutorily Created Funds Combined with the General Fund</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>
Property Tax Reduction - assigned for Education	\$ 67,941	\$ 67,781
Tourism Promotion - assigned for Tourism Promotion	2,908	2,565
Investment Council Operating - assigned for Other	1,297	805
Private Activity Bond - assigned for Other	69	74
Teen Court - assigned for Other		105
Proof of Concept - assigned for Economic Resources		500
Tax Relief - unassigned	2,631	392
Extraordinary Litigation Expense - unassigned	1,219	1,184
Unclaimed Property - unassigned	31	(18)
<b>Total GASB 54 combinations</b>	<b><u>76,096</u></b>	<b><u>73,388</u></b>
<b>Fund Balance - General Fund - excluding GASB 54 combinations</b>	<b><u>\$ 209,369</u></b>	<b><u>\$ 244,365</u></b>

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

In evaluating a contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account and the SDRC Expense Fund Account should be reported in the State's General Fund. As of June 30, 2013 the following equity balances were included within the State's General Fund in (expressed in thousands):

	<u>General Fund Beginning Fund Balance</u>	<u>General Fund Ending Fund Balance</u>
<b>Fund Balance - General Fund - excluding GASB 54 combinations</b>	<b>\$ 209,369</b>	<b>\$ 244,365</b>
<b>Less: SDRC Funds Combined with the General Fund</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>
SDRC Indemnification Fund One Account - restricted for Economic Resources, as restated	\$ 568	\$ 990
SDRC Expense Fund Account - restricted for Economic Resources, as restated	28	28
<b>Total SDRC combinations</b>	<b><u>596</u></b>	<b><u>1,018</u></b>
<b>Fund Balance - General Fund - excluding all combinations</b>	<b><u>\$ 208,773</u></b>	<b><u>\$ 243,347</u></b>

At the end of the fiscal year, total fund balance of the General Fund was \$317.8 million (including GASB 54 combination and the SDRC accounts). \$3.4 million of the total fund balance is nonspendable, \$1.0 million is restricted, \$126.9 million is assigned for specific purposes and the remaining \$186.4 million was unassigned. It is important to note that some of this unassigned fund balance has other limiting factors that may limit or decrease its availability for general appropriations because it either has another purpose as intended by state law or has internally imposed limitations. Those limitations on the unassigned fund balance include; \$95.3 million is the General Fund Budget Reserve which is created by state law and only to be used to address emergency situations without having to raise taxes or cut spending; and \$1.6 million is intended for use within the statutorily created funds combined with the General Fund. Other limitations on the General Fund include:

- \$33.3 million represents tax revenue that was received in FY13, recognized in the General Fund in FY13 for financial reporting purposes, but not distributed on a cash basis to the General Fund until FY14 for purposes of meeting the State's ongoing obligations to the citizens and creditors for the next fiscal year.
- \$51.1 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities.

As a measure of General Fund's liquidity, it may be useful to compare both the assigned and unassigned fund balances to total fund expenditures. The assigned fund balance represents 9.9% of the total General Fund operating expenditures, while the unassigned fund balance (including the Budget Reserve) represents 14.6% of that same amount.

- **Transportation.** The total fund balance at the end of the current fiscal year for the Transportation Fund was \$134.6 million, a decrease of \$18.6 million from the prior fiscal year resulting from a decrease in Federal reimbursement revenue from converting projects from federal participating to non-participating.
- **Dakota Cement Trust.** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was \$268.8 million, an increase of \$32.1 million from the prior fiscal year. The increase resulted primarily from investment income during the fiscal year exceeding the minimum required transfer out.
- **Education Enhancement Trust.** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$426.6 million, an increase of \$53.8 million from the prior fiscal year. The increase resulted primarily from investment income during the fiscal year exceeding the minimum required transfer out.

### **Proprietary Funds**

The State's proprietary funds are presented on the full accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant activity or changes to net position during fiscal year 2013:

- **Lottery Fund.** The Lottery Fund accounts for the operations of the South Dakota State Lottery which markets instant tickets and lotto games, and regulates video lottery to raise revenue for State programs and projects. At the end of the current fiscal year, the Lottery Fund reported total net position of \$7.8 million, an increase of \$1.0 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$107.5 million on total revenue of \$151.3 million, compared to the previous fiscal year's income (before transfers) of \$103.5 million on total revenue of \$143.0 million. The increase in revenues was the result of an increase in sales of instant tickets, lotto games and video lottery. During fiscal year 2013, the State Lottery distributed approximately \$91.4 million to the Property Tax Reduction Fund (a subfund of the General Fund), \$7.2 million to the General Fund, \$9.0 million to the Capital Construction Fund, and \$0.16 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 position of \$194.7 million, an increase of \$0.9 million in comparison with the prior fiscal year. The increase resulted primarily from \$4.0 million in loan interest income, \$3.4 million in investment income, \$2.6 million in federal grant revenue, and \$1.7 million in other revenue sources. This was offset by \$2.8 million in admin expenses, \$5.4 million in interest expenses, \$1.9 million in grant expenses, and \$0.7 million in other 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 position of \$154.9 million, an increase of \$6.1 million in comparison with the prior year. This increase resulted primarily from \$9.4 million in federal grant revenue, \$3.4 million in loan interest income, \$2.6 million in investment income, and \$1.1 million in other revenue sources. This was offset by \$6.9 million in grant expenses, \$2.4 million in interest expenses, \$0.8 million in admin expenses and \$0.3 million in other expenses.

## ***Budgetary Highlights - General Fund***

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

The original budget is defined as the first complete appropriated budget, adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. Any such transaction that is authorized as a legislative or executive change before the beginning of the fiscal year is included in the original budget, regardless of the effective date of the document loaded on the accounting system. The original budget also includes 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 \$48.7 million increase in appropriations. That increase can be attributed to two separate appropriation areas comprised of emergency specials and general bill adjustments.

The general fund had \$32.0 million worth of emergency special appropriations during fiscal year 2013 that consisted of the following:

- \$6.0 million appropriation to the Department of Social Services for costs related to dismantling, demolishing, preserving, or rehabilitating buildings on the Human Services Center campus.
- \$0.5 million appropriation to the Department of Revenue for costs related to the tax refunds for elderly and disabled individuals.
- \$6.3 million appropriation to the Department of Education for costs related to the one-time payment to postsecondary technical institutes.
- \$6.2 million appropriation to the Department of Agriculture for costs related to the suppression of wildfires and pine beetle suppression.
- \$0.9 million appropriation to the Board of Regents for costs related to the information systems programs and cyber security programs.
- \$7.0 million appropriation to the Bureau of Finance and Management for costs related to the enhancement of economic development and education.
- \$3.0 million appropriation to the Education Enhancement Trust Fund to provide annual funding for the critical teaching needs scholarship program and the need-based grant.
- \$0.3 million appropriation to the Department of Military for costs related to the land purchase in Sioux Falls.
- \$1.3 million appropriation to the Bureau or Administration for costs related to the installation and implementation of a heating system at the new veterans' home.
- \$0.5 million appropriation to the Department of Agriculture for costs related to the construction and renovation of office buildings.

The general fund had general bill adjustments that increased the original budget by \$16.7 million during fiscal year 2013 which consisted of the following:

- \$0.2 million increase in appropriation to the Department of Executive Management for programs in Office of the Governor, Governor's Office of Economic Development, South Dakota Public Broadcasting and State Radio Engineering.

- \$0.1 million increase in appropriation to the Department of Agriculture for programs in Secretary of Agriculture Administration, Agricultural Services and Assistance, Agricultural Development and Promotion and Animal Industry Board.
- \$0.1 million increase in appropriation to the Department of Tourism for programs in History.
- \$0.1 million increase in appropriation to the Department of Game, Fish and Parks for programs in Secretary of Game, Fish and Parks Administration and State Parks and Recreation.
- \$0.3 million increase in appropriation to the Department of Social Services for programs in Secretary of Social Services Administration, Economic Assistance, Medical and Adult Services, Children Services, Behavioral Health and Nonrecurring Provider Allocation.
- \$0.1 million increase in appropriation to the Department of Health for programs in Secretary of Health Administration, Health Systems Development and Regulation and Health and Medical Services.
- \$3.1 million increase in appropriation to the Department of Education for programs in Secretary of Education Administration, Sparsity Payments, Education Resources, Technology in Schools, Postsecondary Vocational Education, State Library and State Aid to Education.
- \$0.1 million increase in appropriation to the Department of Public Safety for programs in Secretary of Public Safety Administration, Highway Patrol, Emergency Services & Homeland Security and Inspection and Licensing.
- \$5.4 million increase in appropriation to the Board of Regents for programs in the Regents Central Office, University of South Dakota Proper, University of South Dakota School of Medicine, South Dakota State University Proper, Cooperative Extension Service, Agricultural Experiment Station, South Dakota School of Mines and Technology, Northern State University, Black Hills State University, Dakota State University, South Dakota School for the Deaf, South Dakota School for the Blind and Visually Impaired and Health Insurance.
- \$0.7 million increase in appropriation to the Department of Veterans' Affairs for programs in Veterans' Benefits and Services and State Veterans' Home.
- \$2.4 million increase in appropriation to the Department of Corrections for programs in the Central Office Administration, Mike Durfee State Prison, State Penitentiary, Women's Prison, Parole Services, Juvenile Community Corrections, Youth Challenge Center, Patrick Henry Brady Academy, State Treatment and Rehabilitation Academy, QUEST and ExCEL and Nonrecurring Provider Allocation.
- \$1.3 million increase in appropriation to the Department of Human Services for programs in the Secretary of Human Services Administration, Developmental Disabilities, South Dakota Developmental Center, Rehabilitation Services, Services to the Blind and Visually Impaired and Nonrecurring Provider Allocation.
- \$0.1 million increase in appropriation to the Department of Environment and Natural Resources for programs in Financial and Technical Assistance and Environmental Services.
- \$1.7 million increase in appropriation to the Unified Judicial System for programs in the Unified Judicial System.
- \$0.1 million increase in appropriation to the Legislature for programs in the Legislative Operations and Auditor General.
- \$0.8 million increase in appropriation to the Attorney General for programs in the Legal Services Program, Criminal Investigation and Law Enforcement Training.
- \$0.1 million increase in appropriation to the Secretary of State for programs in the Secretary of State.

The net effect of the emergency special appropriations and the general bill adjustments resulted in a \$48.7 million increase in appropriations. Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending was \$33.2 million below final budgeted estimates.



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The State's capital assets are capitalized at historic cost. The State's investment in capital assets for its governmental and business-type activities as of June 30, 2013 is \$3.7 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 110,713	\$ 110,453	\$ 295	\$ 295	\$ 111,008	\$ 110,748
Land Improvements	36,398	32,686	924	924	37,322	33,610
Land Improvements - Roads	604,819	602,085			604,819	602,085
Buildings, as restated	550,953	506,810	4,008	4,008	554,961	510,818
Equipment	193,145	184,091	5,686	4,535	198,831	188,626
Intangible Assets – Software	61,924	54,547	725	725	62,649	55,272
Vehicles	137,857	133,484			137,857	133,484
Infrastructure	3,571,449	3,476,514			3,571,449	3,476,514
Construction in Progress, as restated	225,731	244,653	110		225,841	244,653
<b>Total Capital Assets</b>	<b>5,492,989</b>	<b>5,345,323</b>	<b>11,748</b>	<b>10,487</b>	<b>5,504,737</b>	<b>5,355,810</b>
Accumulated Depreciation	(1,822,908)	(1,754,192)	(7,369)	(6,594)	(1,830,277)	(1,760,786)
<b>Total Capital Assets, Net</b>	<b>\$ 3,670,081</b>	<b>\$ 3,591,131</b>	<b>\$ 4,379</b>	<b>\$ 3,893</b>	<b>\$ 3,674,460</b>	<b>\$ 3,595,024</b>

The most significant capital asset the State reported in fiscal year 2013 was infrastructure assets. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Infrastructure assets account for \$2.2 billion (net of accumulated depreciation), which is 59.2% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2012 to 2013 by approximately 2.2%. This change was primarily due to ongoing construction and completion of segments of infrastructure - highways, bridges, and railroads. The increase consisted of:

- Construction in progress for highways and bridges increased by \$121.7 million for new projects and decreased by \$121.8 million for projects completed and capitalized.
- Other construction in progress as a whole decreased by \$18.8 million. This decrease was the result of projects completed and capitalized by the Department of Military (\$10 million, net of new and ongoing projects), the Department of Corrections (\$5.6 million, net of new and ongoing projects), the Department of Social Services (\$4.4 million, net of new and ongoing projects), the Bureau of Finance and Management (\$1.3 million, net of new and ongoing projects), and the department of Public Safety (\$0.5 million, net of new and ongoing projects). However, some agencies had increases in construction in progress from new and ongoing projects: the Department of Transportation (\$3.4 million, net of projects completed and capitalized), the Department of Veterans Affairs (\$1.6 million, net of projects completed and capitalized), and the Bureau of Administration (\$0.9 million, net of projects completed and capitalized).
- Building and building improvements increased by \$44.1 million. New buildings included the Watertown Readiness Center (\$19.5 million), Phase III of the Mickelson Building at Western Dakota Tech (\$12.6

million), the Rapid City Minimum Unit (\$5.4 million), and the Dietary Service Building at the HSC (\$4.7 million). Building Improvements included the Troop Medical Clinic Expansion (\$1.7 million).

- Equipment assets increased by \$10.2 million. This was mainly due to the purchase of new equipment and replacing of aged equipment by the Department of Transportation (\$4.2 million, net of disposals), the Department of Executive Management (\$1.7 million), the Department of Corrections (\$1.7 million), Department of Public Safety (\$0.7 million), and assets obtained through contract negotiation by the Department of Revenue (\$1.3 million, net of disposals).
- Intangible assets increased by \$7.4 million, comprised of new software for the Unified Judicial System (\$2.1 million, net of disposals), the Department of Executive Management (\$2.0 million), the Department of Corrections (\$1.9 million), and the Department of Public Safety (\$1.1 million).
- Land and land improvements increased by \$6.7 million which consisted primarily of land and land improvements by the Department of Transportation (\$4.2 million), the Department of Military (\$1.2 million), and the Department of Game, Fish, and Parks (\$0.4 million).
- Vehicles increased by \$4.4 million which consisted of replacing aged vehicles by the Department of Executive Management (\$2.0 million), the Department of Transportation (\$1.9 million, net of disposals) and the Department of Public Safety (\$0.5 million, net of disposals).

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

### ***Debt Administration***

The authority of the State to incur limited debt for specific purposes is described in Article XIII, Section 2, of the State's Constitution. Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000. At June 30, 2013 the issuer credit rating (ICR) for the State of South Dakota from Standard and Poor's was AA+. The South Dakota Building Authority, a legally separate blended component unit of the State, was created and organized by Chapter 5-12 of the South Dakota Codified Laws to issue debt on behalf of the primary government.

The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other State departments and institutions. The South Dakota Building Authority is a blended component unit of the State. At June 30, 2013, the uninsured rating was Aa2 from Moody's and AA from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of State departments and institutions are reported as part of governmental activities in the State's Basic Financial Statements, except for debt of universities, which is reported as part of the discretely presented component unit information. The South Dakota Building Authority did not issue any new bonds for Governmental Activities. The State incurred no new long-term general indebtedness under Business-type Activities. The South Dakota Building Authority issued \$9.7 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. 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. On March 14, 2013, the EEFC issued Series 2013A Tobacco Settlement Revenue Bonds (taxable) in the amount of

\$123,010,000 and Series 2013B Tobacco Settlement Revenue Bonds (tax exempt) in the amount of \$46,635,000. These bonds refunded the Series 2002A taxable bonds in the outstanding amount of \$54,035,000 and the Series 2002B tax exempt bonds in the outstanding amount of \$129,540,000. The Series 2013A and B bond interest rates ranged from 0.8% to 5.0% compared to 6.5% to 6.72% for the Series 2002 A and B bonds. The Series 2013 A and B bonds received a dual rating by Standard and Poor's. The Series 2013 A and B bonds are rated A through the June 1, 2023 maturity and A- for the bonds maturing on June 1, 2024 through June 1, 2027.

The South Dakota Conservancy District issues revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; and construction and maintenance of drinking water facilities respectively. At June 30, 2013, the South Dakota Conservancy District had maintained its long-term rating of Aaa from Moody's and AAA from Standard & Poor's on all outstanding State Revolving Fund Program Bonds. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State or a pledge of the faith and credit of the State.

The bonds are paid solely from CWSRF and DWSRF loan repayments. The revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's Basic Financial Statements. No new bonds were issued for the CWSRF and DWSRF programs in FY13.

At June 30, 2013, primary government had total notes and bonded debt outstanding as follows:

<b>State of South Dakota</b>						
<b>Outstanding Loans and Bonded Debt</b>						
(Expressed in Thousands)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenue Bonds:						
South Dakota Building Authority	\$ 37,365	\$ 45,199	\$	\$	\$ 37,365	\$ 45,199
Educational Enhancement Funding Corporation	153,931	182,388			153,931	182,388
South Dakota Conservancy District			212,523	222,705	212,523	222,705
Trust Certificates:						
South Dakota Building Authority	13,595	16,490			13,595	16,490
Capital Leases:	78,682	64,279			78,682	64,279
<b>Total</b>	<b>\$ 283,573</b>	<b>\$ 308,356</b>	<b>\$ 212,523</b>	<b>\$ 222,705</b>	<b>\$ 496,096</b>	<b>\$ 531,061</b>

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

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

Nonfarm employment in South Dakota increased during fiscal year 2013 and continues to expand higher than the previous peak employment levels that were reached before the 2007-2009 national recession. In fiscal year 2013, nonfarm employment in the state increased 1.4%, or 5,700 jobs. Although South Dakota's employment growth during the fiscal year was slightly lower than the national growth rate of 1.6%, South Dakota's fiscal year 2013 level of employment was 1.8% higher than the previous peak employment (fiscal year 2008), while the national employment level was still 2.1% below the previous peak employment (fiscal year 2008). The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2013. South Dakota's unemployment rate was 3.9% in June 2013, while the U.S. unemployment rate was 7.5% the same month. In calendar year 2012, the most recent annual data that is available, South Dakota's personal income grew 2.4% as declines in farm income slowed the total personal income growth rate compared to 2011. However, over the past four years (2008-2012), South Dakota's personal income growth rate averaged 4.1% per year, which was the second highest average growth rate of all states over the same time period.

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

## ***REQUESTS FOR INFORMATION***

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

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

# **BASIC FINANCIAL STATEMENTS**

**The “Basic Financial Statements” include the Government-Wide Financial Statements, the Governmental 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 Position***

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

***Balance Sheet – Governmental Funds***

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

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

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

***Statement of Net Position – Proprietary Funds***

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

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

***Statement of Fiduciary Net Position – Fiduciary Funds***

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

***Notes to the Financial Statements***

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**  
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 787,893	\$ 233,758	\$ 1,021,651
Receivables (Net)	398,114	416,305	814,419
Due From Component Units	1,549	17	1,566
Due From Primary Government			0
Internal Balances	6,837	(6,837)	0
Investments	817,105	123,716	940,821
Inventory	22,891	2,670	25,561
Other Assets	7,807	1,501	9,308
Assets Held for Resale		302	302
Advances to Component Units		3,326	3,326
Restricted Assets:			
Cash and Cash Equivalents	21,251	25	21,276
Investments		568	568
Other		817	817
Capital Assets:			
Land and Other Non-depreciable Assets	723,309	295	723,604
Infrastructure (net)	2,176,225		2,176,225
Property, Plant and Equipment (net)	544,816	3,974	548,790
Construction in Progress	225,731	110	225,841
<b>Total Assets</b>	<b>5,733,528</b>	<b>780,547</b>	<b>6,514,075</b>
<b>Deferred Outflows of Resources</b>			
Deferred Swap Outflow			
<b>Total Deferred Outflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>			
Accounts Payable and Other Liabilities	265,951	9,657	275,608
Due To Primary Government			0
Due To Component Units	1,838		1,838
Accrued Interest Payable	11,353	3,228	14,581
Unearned Revenue	58,614	2,449	61,063
Noncurrent Liabilities:			
Due Within One Year	61,263	12,600	73,863
Due In More Than One Year	341,721	201,567	543,288
<b>Total Liabilities</b>	<b>740,740</b>	<b>229,501</b>	<b>970,241</b>
<b>Deferred Inflows of Resources</b>			
Deferred Forward Contract Inflow			
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Position</b>			
Net Investment In Capital Assets	3,548,433	4,379	3,552,812
Restricted For:			
Education	7,269		7,269
Highways	124,467		124,467
Railroads	38,146		38,146
Law, Justice, Public Protection and Regulation	9,713		9,713
Agriculture and Natural Resources	79,312		79,312
Game and Fish	4,051		4,051
Parks and Recreation	1,810		1,810
Health and Public Assistance	8,765		8,765
Economic Development	55,551		55,551
Debt Service	37,784	99	37,883
Capital Projects	111		111
HOME and NSP Program			0
Energy Conservation Programs	14,699		14,699
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds held as Permanent Investments			
Expendable	155,796		155,796
Nonexpendable	696,324		696,324
Interim Lab			0
Sanford Center for Science Education			0
Other Purposes	7,722	817	8,539
Unrestricted	202,835	545,751	748,586
<b>Net Position</b>	<b>\$ 4,992,788</b>	<b>\$ 551,046</b>	<b>\$ 5,543,834</b>

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

**Component Units**

<u>Housing Authority</u>	<u>Science and Technology Authority</u>	<u>Higher Education</u>	<u>Nonmajor</u>
\$ 166,518	\$ 36,315	\$ 185,892	\$ 3,910
1,141,867	1,138	128,992	20,391
		1,838	
594,124		366,602	3,359
1,586	2,746	7,485	
10,880	558	6,244	48
			6,324
		11,504	51
		44,308	6,034
		10,962	
220	18,365	37,013	197
6,411	46,292	768,638	1
	4,141	75,717	5,864
1,921,606	109,555	1,645,195	46,179
24,584			
24,584	0	0	0
15,203	886	44,302	2,889
36		1,530	
8,207		3,912	282
		8,314	
46,278	444	53,526	1,825
1,406,545	914	506,124	26,098
1,476,269	2,244	617,708	31,094
269			
269	0	0	0
132	67,995	465,961	1,291
397,761		3,817	5,000
64,666			
		151,308	
		332,311	
	3,384		
	20,000		
7,093	11,348		250
	4,584	74,090	8,544
<u>\$ 469,652</u>	<u>\$ 107,311</u>	<u>\$ 1,027,487</u>	<u>\$ 15,085</u>

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 169,843	\$ 212,529	\$ 18,176	\$
Education - Elementary, Secondary and Vocational Schools	201,177	7,888	168,753	
Education - State Support to Higher Education	176,294			
Health, Human and Social Services	1,367,355	38,098	883,290	67
Law, Justice, Public Protection and Regulation	277,223	80,750	83,158	
Agriculture and Natural Resources	144,245	72,972	37,077	
Economic Resources	43,300	3,064	17,315	
Transportation	537,497	6,682	380,644	979
Intergovernmental - Payments to School Districts	394,857			
Intergovernmental - Revenue Sharing	141,514			
Unallocated Interest Expense	14,537			
Unallocated Depreciation	53			
<b>Total Governmental Activities</b>	<b>3,467,895</b>	<b>421,983</b>	<b>1,588,413</b>	<b>1,046</b>
<b>Business-type Activities:</b>				
Lottery	44,114	151,414	1,449	
Clean Water State Revolving	10,898	5,277	6,507	
Drinking Water State Revolving	10,337	4,321	12,169	
Revolving Economic Development and Initiative	1,172	1,712	649	
Unemployment Insurance	37,901	43,314	8,307	
Second Injury	1,636	80	23	
State Fair	2,864	2,461	24	
Federal Surplus Property	4,089	4,401	4	
Rural Rehabilitation	628	175	361	
Prison Industries	2,356	2,562	19	
Health Insurance Risk Pool	6,695	6,020	796	
Professional and Licensing	6,941	7,424	163	
Banking and Insurance	4,734	5,300	36	
Other	12,632	12,497	12	
<b>Total Business-type Activities</b>	<b>146,997</b>	<b>246,958</b>	<b>30,519</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 3,614,892</b>	<b>\$ 668,941</b>	<b>\$ 1,618,932</b>	<b>\$ 1,046</b>
<b>Component Units:</b>				
Housing Authority	\$ 97,083	\$ 58,485	\$ 31,937	\$
Science and Technology Authority	17,461	271	14,622	15,124
Higher Education	682,650	389,581	154,563	12,980
Nonmajor	2,703	1,212	1,016	
<b>Total Component Units</b>	<b>\$ 799,897</b>	<b>\$ 449,549</b>	<b>\$ 202,138</b>	<b>\$ 28,104</b>

General Revenues:

Taxes:
Sales Taxes
Motor Fuel Taxes
Contractors Excise Taxes
Bank Card and Franchise Taxes
Other Taxes
Investment Earnings
State Support to Higher Education
Gain on Sale of Capital Assets
Miscellaneous
Additions to Endowments
Transfers
Total General Revenues, Additions to Endowments and Transfers
Changes in Net Position
Net Position - Beginning, as restated
Net Position - Ending

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



**Net (Expenses) Revenue and Changes in Net Position**

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 60,862	\$	\$ 60,862				
(24,536)		(24,536)				
(176,294)		(176,294)				
(445,900)		(445,900)				
(113,315)		(113,315)				
(34,196)		(34,196)				
(22,921)		(22,921)				
(149,192)		(149,192)				
(394,857)		(394,857)				
(141,514)		(141,514)				
(14,537)		(14,537)				
(53)		(53)				
<u>(1,456,453)</u>	<u>0</u>	<u>(1,456,453)</u>				
	108,749	108,749				
	886	886				
	6,153	6,153				
	1,189	1,189				
	13,720	13,720				
	(1,533)	(1,533)				
	(379)	(379)				
	316	316				
	(92)	(92)				
	225	225				
	121	121				
	646	646				
	602	602				
	(123)	(123)				
<u>0</u>	<u>130,480</u>	<u>130,480</u>				
<u>(1,456,453)</u>	<u>130,480</u>	<u>(1,325,973)</u>				
			\$ (6,661)	\$	\$	\$
				12,556		
					(125,526)	
						(475)
			<u>(6,661)</u>	<u>12,556</u>	<u>(125,526)</u>	<u>(475)</u>
802,700		802,700				
139,048		139,048				
94,967		94,967				
49,493		49,493				
299,726		299,726				
130,881		130,881		362	34,424	44
		0			176,294	
2,127		2,127				
76,047		76,047				
		0			11,097	
104,426	(104,426)	0				
<u>1,699,415</u>	<u>(104,426)</u>	<u>1,594,989</u>	<u>0</u>	<u>362</u>	<u>221,815</u>	<u>44</u>
242,962	26,054	269,016	(6,661)	12,918	96,289	(431)
4,749,826	524,992	5,274,818	476,313	94,393	931,198	15,516
<u>\$ 4,992,788</u>	<u>\$ 551,046</u>	<u>\$ 5,543,834</u>	<u>\$ 469,652</u>	<u>\$ 107,311</u>	<u>\$ 1,027,487</u>	<u>\$ 15,085</u>

STATE OF SOUTH DAKOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013  
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total
<b>Assets</b>							
Cash and Cash Equivalents	\$ 265,643	\$ 101,715	\$	\$ 17,560	\$ 38,391	\$ 312,350	\$ 735,659
Restricted Cash	1,018					20,233	21,251
Investments				250,555	401,176	165,374	817,105
Receivables From:							
Taxes (net)	104,412	12,076				3,781	120,269
Interest and Dividends	1,233	300	1	828	1,598	1,551	5,511
Other Funds	37,941	2,097	6			6,399	46,443
Component Units	583	10				69	662
Other Governments	916	52,798	36,531			79,814	170,059
Loans and Notes (net)		145				67,437	67,582
Other (net)	6,681	835	7,144	10	17	18,676	33,363
Inventory	2,286	16,394	102			2,378	21,160
Other Assets	1,133	223	73			1,613	3,042
<b>Total Assets</b>	<b>\$ 421,846</b>	<b>\$ 186,593</b>	<b>\$ 43,857</b>	<b>\$ 268,953</b>	<b>\$ 441,182</b>	<b>\$ 679,675</b>	<b>\$ 2,042,106</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts Payable and Other Liabilities	\$ 55,946	\$ 44,023	\$ 35,846	\$ 110	\$ 170	\$ 30,620	\$ 166,715
Payable To:							
Other Funds	3,826	1,057	5,732		14,413	20,461	45,489
Component Units	117	90	122			1,449	1,778
Other Governments	16,427	4,548	226			62,678	83,879
Claims, Judgments and Compensated Absences	132	11	21			113	277
Unearned/Unavailable Revenue	27,645	2,308	69			35,782	65,804
<b>Total Liabilities</b>	<b>104,093</b>	<b>52,037</b>	<b>42,016</b>	<b>110</b>	<b>14,583</b>	<b>151,103</b>	<b>363,942</b>
<b>Fund Balances:</b>							
Nonspendable	3,419	16,617	175	238,000	334,013	128,303	720,527
Restricted	1,018	117,939		30,843	92,586	309,646	552,032
Committed						43,993	43,993
Assigned	126,872		1,666			48,092	176,630
Unassigned	186,444					(1,462)	184,982
Total Fund Balances	317,753	134,556	1,841	268,843	426,599	528,572	1,678,164
<b>Total Liabilities and Fund Balances</b>	<b>\$ 421,846</b>	<b>\$ 186,593</b>	<b>\$ 43,857</b>	<b>\$ 268,953</b>	<b>\$ 441,182</b>	<b>\$ 679,675</b>	<b>\$ 2,042,106</b>

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

**STATE OF SOUTH DAKOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2013  
(Expressed in Thousands)**

**Total Fund Balances - Governmental Funds** \$ 1,678,164

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

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

Land and Construction in Progress	\$ 948,904	
Infrastructure	3,571,450	
Other Capital Assets	877,820	
Accumulated Depreciation	<u>(1,754,728)</u>	
Total Capital Assets		3,643,446

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 unearned in the funds. 17,148

Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 16,219

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	(204,890)	
Accrued Interest on Bonds	(11,353)	
Capital Leases	(68,861)	
Compensated Absences	(48,399)	
Net OPEB Obligation	(17,619)	
Pollution Remediation	<u>(13,296)</u>	
Total Long-Term Liabilities		(364,418)

Bond issuance costs are reported as current expenditures in the funds. However, issuance costs are amortized over the life of the bonds and are included in governmental activities in the Statement of Net Position. 2,229

**Net Position of Governmental Activities** \$ 4,992,788

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, 2013  
(Expressed in Thousands)**

	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Revenue:</b>							
Taxes	\$ 1,074,297	\$ 205,934	\$	\$	\$	\$ 105,686	\$ 1,385,917
Licenses, Permits and Fees	9,622	5,111				237,687	252,420
Fines, Forfeits and Penalties	460					15,729	16,189
Use of Money and Property	7,311	986	5	42,005	64,593	38,579	153,479
Sales and Services	16,484	383				20,812	37,679
Administering Programs	39	379,006	698,648			495,633	1,573,326
Tobacco Settlement						24,128	24,128
Other Revenue	38,245	783	4,962			21,282	65,272
Total Revenue	<u>1,146,458</u>	<u>592,203</u>	<u>703,615</u>	<u>42,005</u>	<u>64,593</u>	<u>959,536</u>	<u>3,508,410</u>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	37,043			529	1,066	35,756	74,394
Education	21,347					187,983	209,330
Education - Payments to School Districts	396,652						396,652
Education - State Support to Higher Education	176,294						176,294
Health, Human and Social Services	453,929		703,972			207,032	1,364,933
Law, Justice, Public Protection and Regulation	135,271	16,849				128,571	280,691
Agriculture and Natural Resources	13,699					126,162	139,861
Economic Resources	22,299					20,809	43,108
Transportation		598,379				5,669	604,048
State Shared Revenue Paid to Other Governments	22,228					119,286	141,514
Capital Outlay						387	387
Debt Service:							
Principal						30,059	30,059
Interest						13,896	13,896
Bond Issuance Costs						1,817	1,817
Payment to Refunded Bond Escrow Agent						8,016	8,016
Total Expenditures	<u>1,278,762</u>	<u>615,228</u>	<u>703,972</u>	<u>529</u>	<u>1,066</u>	<u>885,443</u>	<u>3,485,000</u>
Excess of Revenues Over (Under) Expenditures	(132,304)	(23,025)	(357)	41,476	63,527	74,093	23,410
<b>Other Financing Sources (Uses):</b>							
Capital Leases						12,605	12,605
Proceeds of Refunding Bonds						169,645	169,645
Premiums on Refunding Bonds						9,026	9,026
Proceeds from Sale of Capital Assets	974	1,459	3			2,718	5,154
Payments to Refunded Bond Escrow Agent						(176,854)	(176,854)
Transfers In	196,799	6,924			4,683	45,688	254,094
Transfers Out	(33,181)	(4,007)	(219)	(9,357)	(14,413)	(89,522)	(150,699)
Net Other Financing Sources (Uses)	<u>164,592</u>	<u>4,376</u>	<u>(216)</u>	<u>(9,357)</u>	<u>(9,730)</u>	<u>(26,694)</u>	<u>122,971</u>
Net Change in Fund Balances	32,288	(18,649)	(573)	32,119	53,797	47,399	146,381
Fund Balances at Beginning of Year (Restated)	285,465	153,205	2,414	236,724	372,802	481,173	1,531,783
Fund Balances at End of Year	<u>\$ 317,753</u>	<u>\$ 134,556</u>	<u>\$ 1,841</u>	<u>\$ 268,843</u>	<u>\$ 426,599</u>	<u>\$ 528,572</u>	<u>\$ 1,678,164</u>

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

**STATE OF SOUTH DAKOTA  
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

**Net Change in Fund Balances - Total Governmental Funds** \$ 146,381

**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	\$ 178,786	
Depreciation Expense	(94,796)	
Excess of Capital Outlay Over Depreciation Expense		83,990

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net position. (7,852)

Capital leases entered into during the fiscal year are reported as other financing sources in the governmental funds. However, it is not reported in the Statement of Activities as it is shown as an increase in long-term liabilities in the Statement of Net Position. (12,605)

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

Bond Principal Retirement	214,929	
Capital Lease Payments	1,816	
Total Long-Term Debt Repayment		216,745

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expense) of certain activities of internal service funds is reported in governmental activities. (1,495)

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. 1,867

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

Bonds Issued	(169,645)	
Bond Issuance and Refunding Costs	1,546	
Bond Premium	(9,026)	
		(177,125)

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	(222)	
(Increase) Decrease in Compensated Absences	(2,211)	
(Increase) Decrease in Net OPEB Obligation	(2,372)	
(Increase) Decrease in Pollution Remediation	(2,139)	
Total Additional Expenditures		(6,944)

**Change in Net Position of Governmental Activities** \$ 242,962

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**  
**(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
<b>Assets</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 9,612	\$ 55,148	\$ 15,918	\$ 153,080	\$ 233,758	\$ 52,234
Receivables:						
Interest and Dividends	45	2,360	1,875	358	4,638	116
Other Funds				252	252	7,490
Component Units				17	17	887
Other Governments		367	416	608	1,391	164
Loans and Notes (Net)		17,193	10,334	11,300	38,827	
Other (Net)	4,403			1,835	6,238	850
Inventory				2,670	2,670	642
Other Assets		52	28	184	264	2,536
Total Current Assets	14,060	75,120	28,571	170,304	288,055	64,919
Assets Held for Resale				302	302	
Restricted Assets:						
Restricted Cash	22	3			25	
Restricted Investments	472	96			568	
Other	817				817	
Investments		70,231	53,485		123,716	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	4,255			7,088	11,343	94,680
Accumulated Depreciation	(1,706)			(5,663)	(7,369)	(68,181)
Construction in Progress				110	110	136
Total Capital Assets	2,549	0	0	1,830	4,379	26,635
Advances to Component Units		3,326			3,326	
Other Noncurrent Assets		197,257	138,829	30,342	366,428	
<b>Total Assets</b>	<b>17,920</b>	<b>346,033</b>	<b>220,885</b>	<b>202,778</b>	<b>787,616</b>	<b>91,554</b>
<b>Liabilities</b>						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,670	990	292	4,808	8,760	4,342
Payable To:						
Other Funds	6,737			343	7,080	1,507
Component Units					0	60
Escrow Payable	68				68	
Bonds, Notes and Leases Payable		7,589	4,228		11,817	2,153
Claims, Judgments and Compensated Absences	166	40	24	1,371	1,601	24,229
Accrued Interest Payable		2,292	936		3,228	
Unearned Revenue	286			2,163	2,449	8,869
Total Current Liabilities	9,927	10,911	5,480	8,685	35,003	41,160
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		140,203	60,503		200,706	7,672
Claims, Judgments and Compensated Absences	145	35	21	472	673	26,476
Other Noncurrent Liabilities		184	4		188	27
Total Noncurrent Liabilities	145	140,422	60,528	472	201,567	34,175
<b>Total Liabilities</b>	<b>10,072</b>	<b>151,333</b>	<b>66,008</b>	<b>9,157</b>	<b>236,570</b>	<b>75,335</b>
<b>Net Position</b>						
Net Investment in Capital Assets	2,549			1,830	4,379	16,810
Restricted For:						
Debt Service		99			99	
Other	817				817	
Unrestricted	4,482	194,601	154,877	191,791	545,751	(591)
<b>Total Net Position</b>	<b>\$ 7,848</b>	<b>\$ 194,700</b>	<b>\$ 154,877</b>	<b>\$ 193,621</b>	<b>\$ 551,046</b>	<b>\$ 16,219</b>

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

**STATE OF SOUTH DAKOTA  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Major				Total	Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		Internal Service Funds
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,615	\$	\$	\$ 12,728	\$ 14,343	\$
Use of Money and Property		4,039	3,392	1,852	9,283	9
Sales and Services	149,667	1,238	929	17,108	168,942	219,823
Administering Programs				6,526	6,526	
Assessments				43,394	43,394	
Other Revenue				10,624	10,624	1,991
Total Operating Revenue	151,282	5,277	4,321	92,232	253,112	221,823
Operating Expenses:						
Personal Services and Benefits	1,626	268	209	9,637	11,740	33,540
Travel	137	13	11	1,018	1,179	700
Contractual Services	8,191	642	560	9,770	19,163	40,128
Supplies and Materials	876	3	3	5,174	6,056	16,629
Grant and Other	70	4,488	7,085	534	12,177	10
Interest		5,404	2,436		7,840	214
Depreciation/Amortization	784	52	28	133	997	5,302
Lottery Prizes	32,419				32,419	
Insurance Claims				55,067	55,067	126,839
Total Operating Expenses	44,103	10,870	10,332	81,333	146,638	223,362
Operating Income (Loss)	107,179	(5,593)	(6,011)	10,899	106,474	(1,539)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets				3	3	637
Loss on Disposal of Assets				(5)	(5)	(64)
Interest Income	152	3,429	2,563	2,814	8,958	348
Other Expense	(11)	(28)	(5)	(310)	(354)	(29)
Capital Contribution					0	71
Grant and Other Income	132	3,078	9,606	1,291	14,107	50
Total Nonoperating Revenue (Expenses)	273	6,479	12,164	3,793	22,709	1,013
Income (Loss) Before Transfers and Special Items	107,452	886	6,153	14,692	129,183	(526)
Transfers:						
Transfers In				6,156	6,156	1,485
Transfers Out	(107,704)	(30)	(26)	(2,822)	(110,582)	(2,454)
Net Transfers In (Out)	(107,704)	(30)	(26)	3,334	(104,426)	(969)
Special Items						
Lotto Signs Provided by Contract Extension	1,297				1,297	
Total Special Items	1,297	0	0	0	1,297	0
Change in Net Position	1,045	856	6,127	18,026	26,054	(1,495)
Net Position at Beginning of Year	6,803	193,844	148,750	175,595	524,992	17,714
Net Position at End of Year	\$ 7,848	\$ 194,700	\$ 154,877	\$ 193,621	\$ 551,046	\$ 16,219

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, 2013**  
**(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 151,168	\$ 1,227	\$ 908	\$ 87,446	\$ 240,749	\$ 88,366
Receipts from Interfund Services Provided				4,295	4,295	134,480
Receipts from Federal Agencies				282	282	
Receipts from Loan Payments		24,315	19,808	11,110	55,233	
Payments to Suppliers and for Benefits and Claims	(8,557)	(4,669)	(7,559)	(69,271)	(90,056)	(171,958)
Payments for Employee Services	(1,547)	(255)	(220)	(9,490)	(11,512)	(33,129)
Payments for Interfund Services Used	(676)			(2,105)	(2,781)	(7,655)
Payments for Lottery Prizes	(32,229)				(32,229)	
Payments for Loans Originated		(35,545)	(24,796)	(4,466)	(64,807)	
Other Receipts (Payments)	15	(15)	(14)	1	(13)	168
Net Cash Provided (Used) by Operating Activities	108,174	(14,942)	(11,873)	17,802	99,161	10,272
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets				(110)	(110)	(2,218)
Sales of Capital Assets				2	2	1,183
Payments on Capital Lease Obligations						(2,471)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(108)	(108)	(3,506)
Cash Flows From Noncapital Financing Activities:						
Transfers In				6,157	6,157	1,485
Transfers Out	(107,813)	(30)	(26)	(2,821)	(110,690)	(2,454)
Received (Paid) on Interfund Borrowing						(116)
Borrowings from Federal Government				2	2	
Payments on Bonds and Notes		(6,110)	(4,050)		(10,160)	
Bond Issuance Costs		(149)	(52)		(201)	
Interest Payments on Bonds and Notes		(4,694)	(2,122)		(6,816)	
Other Noncapital Financing Activities		3,079	9,656	1,104	13,839	55
Net Cash Provided (Used) by Noncapital Financing Activities	(107,813)	(7,904)	3,406	4,442	(107,869)	(1,030)
Cash Flows From Investing Activities:						
Investment Income	157	3,228	2,400	2,834	8,619	396
Investment Expense	(11)	(28)	(5)	(58)	(102)	(30)
Purchase of Investment Securities		(14,859)	(8,771)		(23,630)	
Proceeds from the Sale and Maturity of Investments		4,952	5,652		10,604	
Net Cash Provided (Used) by Investing Activities	146	(6,707)	(724)	2,776	(4,509)	366
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	507	(29,553)	(9,191)	24,912	(13,325)	6,102
Cash and Cash Equivalents at Beginning of Year, Restated	9,127	84,704	25,109	128,168	247,108	46,132
Cash and Cash Equivalents at End of Year	\$ 9,634	\$ 55,151	\$ 15,918	\$ 153,080	\$ 233,783	\$ 52,234

Continued on next page



**STATE OF SOUTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Major				Total	Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 107,179	\$ (5,593)	\$ (6,011)	\$ 10,899	\$ 106,474	\$ (1,539)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	784	52	28	133	997	5,302
Interest Expense		5,404	2,436		7,840	194
Miscellaneous Nonoperating Items	132			2	134	
Decrease/(Increase) in Assets:						
Accounts Receivable	(103)			779	676	126
Interest, Dividends & Penalties Receivable		(124)	(149)	17	(256)	
Loans and Notes Receivable		(11,864)	(8,231)	5,291	(14,804)	
Due From Other Funds				(20)	(20)	14
Due From Component Units		(3,326)		(7)	(3,333)	(22)
Due From Other Governments		(10)	(21)	1,164	1,133	(42)
Inventory				(159)	(159)	3
Other Assets		45		(303)	(258)	3
Other Restricted Assets	6				6	
Increase/(Decrease) in Liabilities:						
Accounts Payable	149	(119)	(33)	1,756	1,753	830
Accrued Liabilities	81	1	(2)	77	157	137
Compensated Absences Payable		13	(8)	43	48	272
Due To Other Funds	(15)	(197)		(230)	(442)	62
Due To Component Units				(48)	(48)	(1)
Due To Other Governments	(3)	776	118	(63)	828	49
Unearned Revenue	(3)			(103)	(106)	754
Escrow Payable	(9)				(9)	
Policy Claim Liabilities				(1,424)	(1,424)	4,130
Other Liabilities	(24)			(2)	(26)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 108,174</u>	<u>\$ (14,942)</u>	<u>\$ (11,873)</u>	<u>\$ 17,802</u>	<u>\$ 99,161</u>	<u>\$ 10,272</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$ (4)	\$ (4)	\$ 558
Capital Lease Obligations Entered Into						5,893
Transfers In (Out) of Fixed Assets						22

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

**STATE OF SOUTH DAKOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013  
(Expressed in Thousands)**

<b>Assets</b>	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
Cash and Cash Equivalents	\$ 9,286	\$ 18,503	\$ 42,749
Receivables:			
Employer	2,223		
Employee	2,594		
Benefits	62		
Unsettled Investment Sales	28,044		
Taxes Receivable			37,472
Due From Other Funds		111	
Due From Other Governments			413
Investment Income	18,468	561	28
Other		22	346
Total Receivables	<u>51,391</u>	<u>694</u>	<u>38,259</u>
Investments, at Fair Value:			
Fixed Income	1,969,651		
Equities	5,046,784		
Real Estate	1,292,447		
Private Equity	865,059		
Pooled Investment Funds		166,647	
Total Investments	<u>9,173,941</u>	<u>166,647</u>	<u>0</u>
Due from brokers - futures transactions	1,870		
Properties, at Cost	16	13,878	
Accumulated Depreciation	(11)		
Other Assets	21	6	
Total Assets	<u>9,236,514</u>	<u>199,728</u>	<u>\$ 81,008</u>
<b>Liabilities</b>			
Payables:			
Accounts Payable and Other Liabilities	1,894	297	\$ 10,535
Refunds - Contractors Excise Tax			14,987
Due To Other Funds	43	177	
Due To Other Governments			55,486
Compensated Absences Payable	296		
Securities Sold, But Not Yet Purchased, at Fair Value	55,977		
Unsettled Investment Purchases	38,369		
Total Liabilities	<u>96,579</u>	<u>474</u>	<u>\$ 81,008</u>
<b>Net Position</b>			
Restricted for Pension Benefits	9,139,935		
Restricted for Individuals and Other Governments		199,254	
<b>Total Net Position</b>	<u>\$ 9,139,935</u>	<u>\$ 199,254</u>	

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

<b>Additions</b>	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>Contributions:</b>		
Employee	\$ 101,679	\$
Employer	100,376	
From Clients and Inmates		8,471
Other		8,495
<b>Total Contributions</b>	<b>202,055</b>	<b>16,966</b>
<b>Investment Income:</b>		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	1,285,689	21,445
Interest	74,669	
Dividends	127,209	
Real Estate	23,406	
Securities Lending, Net	886	14
Pooled Interest and Dividends		4,221
Investment Activity Income	1,511,859	25,680
Less Investment Activity Expenses	(35,859)	
<b>Net Investment Income (Loss)</b>	<b>1,476,000</b>	<b>25,680</b>
Escheated Property		5
Miscellaneous Income		763
Transfers From Other Funds	2,000	
<b>Total Additions</b>	<b>1,680,055</b>	<b>43,414</b>
<b>Deductions</b>		
Benefits	401,451	
Refunds of Contributions	25,161	
Distribution to School Districts		7,422
Payments made for Trust Purposes		9,453
Administrative Expenses	3,652	2
<b>Total Deductions</b>	<b>430,264</b>	<b>16,877</b>
Change in Net Position	1,249,791	26,537
<b>Net Position at Beginning of Year</b>	<b>7,890,144</b>	<b>172,717</b>
<b>Net Position at End of Year</b>	<b>\$ 9,139,935</b>	<b>\$ 199,254</b>

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



# **NOTES TO THE FINANCIAL STATEMENTS**

<b>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>50</b>
A. Basis of Presentation .....	50
B. Reporting Entity .....	50
C. Government-Wide and Fund Financial Statements .....	52
D. Measurement Focus, Basis of Accounting and Financial Statement Presentation .....	53
E. Budgetary Accounting .....	55
F. Assets, Liabilities, and Net Position/Fund Balance .....	55
G. Compensated Absences .....	58
H. Lottery Security Deposits .....	58
I. Interfund Activity and Balances .....	58
<b>2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS .....</b>	<b>59</b>
<b>3. CASH, DEPOSITS, AND INVESTMENTS .....</b>	<b>60</b>
<b>4. DISAGGREGATION OF RECEIVABLES AND PAYABLES.....</b>	<b>71</b>
<b>5. INTERFUND TRANSACTIONS.....</b>	<b>73</b>
<b>6. CAPITAL ASSETS .....</b>	<b>74</b>
<b>7. RETIREMENT PLANS.....</b>	<b>79</b>
<b>8. DEFERRED COMPENSATION PLAN .....</b>	<b>81</b>
<b>9. SPECIAL PAY PLAN .....</b>	<b>81</b>
<b>10. OTHER POSTEMPLOYMENT BENEFITS .....</b>	<b>81</b>
<b>11. COMMITMENTS .....</b>	<b>84</b>
<b>12. SELF-INSURANCE .....</b>	<b>85</b>
<b>13. OPERATING LEASES .....</b>	<b>87</b>
<b>14. LONG-TERM LIABILITIES.....</b>	<b>88</b>
<b>15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES .....</b>	<b>98</b>
<b>16. FUND BALANCES AND NET POSITION.....</b>	<b>99</b>
<b>17. VOCATIONAL TECHNICAL INSTITUTES .....</b>	<b>102</b>
<b>18. RELATED PARTY TRANSACTIONS .....</b>	<b>102</b>
<b>19. CONTINGENCIES AND LITIGATION.....</b>	<b>103</b>
<b>20. SUBSEQUENT EVENTS.....</b>	<b>104</b>
<b>21. SPECIAL ITEM .....</b>	<b>105</b>

# **NOTES TO THE FINANCIAL STATEMENTS**

## **JUNE 30, 2013**

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

#### **Blended Component Units**

Blended component units are legally separate entities that are, in substance, part of the State's primary government. A component unit is blended if: (1) services are provided, or almost entirely provided, to primary government or otherwise exclusively, or almost exclusively, benefits primary government; (2) the governing body is substantively the same as the governing board of the primary government; (3) the component unit's total debt outstanding is expected to be repaid entirely, or almost entirely, by primary government.

The State's blended component units are South Dakota Building Authority, South Dakota Conservancy District, and Education Enhancement Funding Corporation.

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

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

**The Education Enhancement Funding Corporation (EEFC)** is a special purpose corporation, organized under Chapter 5-12 of the South Dakota Codified Law. The EEFC was established to purchase all of the State of South Dakota's future right, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of the EEFC as set forth in the Trust Indenture. Obligations issued by the EEFC shall not be deemed to constitute a debt or liability or obligation of the State. Because there is a financial benefit/burden relationship between the Corporation and the State of South Dakota and the services provided by the EEFC are entirely provided to the State of South Dakota it is considered a blended component unit. This financial presentation does not change the legal liability of the indebtedness.

### ***Discretely Presented Component Units***

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

The State's major discretely presented component units are South Dakota Housing Development Authority, South Dakota Science and Technology Authority, and Higher Education.

**The South Dakota Housing Development Authority (SDHDA)** was created by the Legislature under Chapter 11-11 of the South Dakota Codified Law for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the State of South Dakota. 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. Because the State of South Dakota is able to impose its will over the SDHDA, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

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

**The South Dakota Board of Regents (SDBOR)** was created under Article XIV of the Constitution of the State of South Dakota. Chapter 13-49 of the South Dakota Codified Law establishes the authority for SDBOR to govern the system of public higher education in the State of South Dakota. The system's primary goal is to provide high quality, diverse educational opportunities and services to the people of South Dakota through the effective use of the resources entrusted to it. Because the State of South Dakota is able to impose its will over SDBOR and a financial benefit/burden relationship exists, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. (Affiliated organizations of Higher Education were excluded from the amounts reported in the notes to the financial statements.)

The State's nonmajor discretely presented component units are South Dakota Value Added Finance Authority, Conservation Reserve Enhancement Program, South Dakota Economic Development Finance Authority and South Dakota Ellsworth Development Authority.

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

**The Conservation Reserve Enhancement Program** was created by the Legislature under Chapter 05-12-7 of the South Dakota Codified Law to provide funding, using the bonding authority of the South Dakota Building Authority, to advance to Conservation Reserve Program (CRP) participants a one-time lump sum of money representing a certain present value percentage of their remaining CRP payments. Because the State of South Dakota is able to impose its will over the program, but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

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

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

### ***Related Organizations***

The **South Dakota Health and Educational Facilities Authority (SDHEFA)** 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. SDHEFA is a body politic and corporate and public instrumentality of the State of South Dakota. The Authority was created in 1972 to enhance the health and education of citizens of the State of South Dakota by providing healthcare, educational and other non-profit institutions access to low cost capital.

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, Science and Technology Authority and South Dakota Ellsworth Development Authority are available from the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, by calling (605) 773-3595, or online at [http://legislativeaudit.sd.gov/Reports/State/state\\_reports\\_all.htm](http://legislativeaudit.sd.gov/Reports/State/state_reports_all.htm)

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

The Government-wide Financial Statements include the Statement of Net Position and Statement of Activities. The Statement of Net Position and Statement of Activities report all nonfiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities are generally supported by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The focus of the Government-wide Financial Statements and Notes to the Financial Statements is the primary government. A separate column is presented for each major discretely presented component unit and a column for all nonmajor discretely presented component units in the aggregate.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable 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 Position and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, income, or activity being taxed occurred. At June 30, 2013, there was \$26,737,000 of bank tax receipts that was not recognizable in the State's financial statements because a reasonable estimate was unable to be determined for how much is considered measurable. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. Sales tax, motor fuel taxes, 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.

### ***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 or committed to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes with distributions defined by the State Constitution or State laws and other resources restricted or committed as to purpose.

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

**The Capital Projects Fund** administered by the South Dakota Building Authority accounts for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary, 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 include information services, telecommunications, insurance risk pools, and fleet and travel management. In the Government-wide Financial Statements, internal service funds activity is included in governmental activities.

### **Fiduciary Funds:**

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

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

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

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

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

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

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

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances at June 30, 2013 totaled \$26,375,402. The encumbrance amount is broken down by Major Fund and Nonmajor Fund below:

<u>Fund</u>	<u>Amount Encumbered</u>
Major Fund:	
General Fund	\$ 7,710,543
Transportation	7,995,890
Non-Major:	
Non-Major Total	10,668,969
<b>TOTAL</b>	<b>\$ 26,375,402</b>

## ***F. Assets, Liabilities, and Net Position/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 and cash equivalents reported in the Statement of Cash Flows represent all investments with an original maturity of three months or less. Cash balances of most state funds are pooled and invested by the State Investment Officer. Investment income is allocated to participating funds per South Dakota law. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature.

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

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

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

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

### ***Receivables***

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

### ***Inventories***

Inventories reported in the governmental fund types are reported at cost using the weighted average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the Higher Education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2013 market prices. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by unearned revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2013, the commodities inventory was reported in the amount of \$1,089,452.

### ***Capital Assets***

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

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

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

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

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business-type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota. The collections are valued at the historical cost or estimated fair

market value at the time of donation. The reported capitalized value of these collections was \$8,656,860 and \$375,585, respectively, as of June 30, 2013. 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 Position and Fund Balances***

The difference between assets and liabilities is “Net Position” on the Government-wide, Proprietary, and Fiduciary Funds Financial Statements and “Fund Balance” on the Governmental Fund Financial Statements. Net Position is reported in three categories:

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

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

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

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

***Nonspendable fund balance*** includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

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

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

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

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

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

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

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

A liability has been recorded in the Government-wide and Fund Financial Statements for compensated absences in accordance with GASB statements.

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

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2013, the amount of certificate of deposits being held by the Lottery was \$472,199 and is included in cash and cash equivalents on the balance sheet. The amount of \$4,939,000 was in the form of surety bonds, deposits in cash, or irrevocable letters of credit and is not reported on the Statement of Net Position.

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

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

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

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

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

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

The beginning fund balance for the General Fund, reported as a major governmental fund, decreased by a net total of \$5,602,000, which consists of the following three changes:

Decrease in beginning fund balance of \$3,604,000 for tax revenue that was recognized in previous years that was not earned until the current fiscal year. The beginning net position reported for governmental activities in the Government-wide Statement of Activities decreased by the same amount.

Decrease in beginning fund balance of \$2,594,000 to recognize the entire unclaimed property liability in the fund financial statements. The portion of this liability that was not expected to require the near-term outflow of current financial resources was previously only reported in the governmental activities portion of the Government-wide Financial Statements.

Increase in beginning fund balance of \$596,000 for the inclusion of the SDRC Indemnification Fund and the SDRC Expense Fund accounts that were not previously reported in the State's financial statements. The beginning net position reported for governmental activities in the Government-wide Statement of Activities increased by the same amount.

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

The beginning net position balance reported for Higher Education was increased by \$2,301,000 for errors in the reporting of receivables, liabilities, fixed assets, and other miscellaneous reporting errors in prior years.

### ***Restatements-Note 6 Capital Assets***

The beginning balance of Primary Government's construction in progress in Note 6 section A of the Notes to the Financial Statements was reduced by \$59,764,000 and included in the beginning buildings balance due to the completion of this project during the prior fiscal years. This will have no effect on the Government-wide Statement of Net Position.

South Dakota Ellsworth Development Authority (SDEDA), a discretely presented component unit, has restated a total of \$877,751 from assets held for resale during the prior fiscal year to the beginning balance of construction in progress for \$873,795 and equipment for \$3,956 in Note 6 section B of the Notes to the Financial Statements due to the creation of an asset that will be retained in the SDEDA. This will have no effect on the Government-wide Statement of Net Position.

### ***Change in Account Classification:***

Clean Water and Drinking Water State Revolving funds in prior years have shown federal capitalization grant revenue as operating income in the statement of revenues, expenses and changes in net position. In FY13 federal capitalization grant revenue has been classified as nonoperating income to reflect a more generally accepted method of reporting.

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

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

In March 2012, the GASB issued Statement 66, Technical Corrections – 2012 (an amendment of GASB Statement No. 10 and No. 62). This Statements objective is to improve governmental accounting and financial reporting by cleaning up conflicting guidance issued from Statement No. 54, Fund balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance (Pre-November 1989 FASB and AICPA Pronouncements). The requirements of GASB Statement No. 66 are effective for the State's fiscal year 2014 financial statements.

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

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

In January 2013, the GASB issued Statement 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of GASB Statement No. 69 are effective for the State's fiscal year 2015 financial statements.

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of GASB Statement No. 70 are effective for the State's fiscal year 2014 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 \$13,450,046 for deficit cash balances that existed in various state funds at June 30, 2013, and is reported as an interfund receivable.

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

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

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 81% of the Cash Flow Portfolio) and discretely presented component units (comprising 19% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the



South Dakota Investment Council (SDIC) and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, and the Vocational Education Program.

## **Deposits**

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of the failure of a depository institution, the State of South Dakota will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Cash Flow Portfolio's certificates of deposit and other deposits in state financial institutions in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2013, pledged collateral for three depositories did not equal at least 100 percent of the total public deposits in excess of depository insurance. As a result, \$77,367 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit risk.

The Retirement Portfolios have no formal deposit policy specific to custodial credit risk. At June 30, 2013, 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 \$11,493,210.

The Trust Portfolios have no formal deposit policy specific to custodial credit risk. At June 30, 2013, 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 \$107,449.

The Other Funds have no formal deposit policy specific to custodial credit risk. At June 30, 2013, 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 \$21,042,144.

## **Investments**

**Securities Lending.** State statutes and the SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. All securities loans can be terminated on demand by either the SDIC or the borrower. The fair value of securities on loan as of June 30, 2013 was \$49,256,929 and the collateral held on the same date was \$52,135,990. At year-end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC.

The SDIC's securities custodian is an agent in lending securities and shall accept only U.S. Government securities or its agencies as collateral for any loan or loaned securities. The collateral required must equal 102% of fair value plus accrued interest for corporate debt securities, 102% of fair value for U.S. equity securities and 105% of fair value for foreign securities except in the case of loans of foreign securities which are denominated and payable in US Dollars, in which event the collateral required is 102% of fair value. The earnings generated from the collateral investments results in the gross earnings from lending activities, which is then split on a percentage basis with the lending agent. The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

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

**Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. SDIC securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2013 the SDIC does not have custodial credit risk with regards to security lending collateral. The Other Funds do not have a policy for custodial credit risk. The Other Funds had custodial credit risk totaling \$127,718,590 in guaranteed investment contracts at June 30, 2013.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDIC policy limits or establishes ranges for the durations of the fixed income portfolios held by the various funds.

The Cash Flow Portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5 years. One exception to the 5 year maturity rule is that the portfolio may participate in the initial offering of securities with a maturity of up to 5 years, 3 months. The Retirement Portfolios fixed income portfolio duration must fall between 70% and 130% of the duration of the Citigroup Broad Investment Grade (BIG) Index. The Trust Portfolios investment-grade fixed income portfolios are benchmarked to the duration of the Citigroup BIG Index. The internally managed high yield fixed income portfolios have a duration range of 85% to 115% of the Citigroup High-Yield Cash Pay Capped Index duration. The Treasury Inflation Protected Securities (TIPS) investments have a range of 5 to 10 years to maturity at purchase. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds.

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

Investment Type	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$		\$ 129,759	6.46	\$ 24,621	6.46	\$	
U.S. Treasury bills			22,108	0.22				
U.S. Treasury STRIPS			44,093	9.99	1,974	9.99		
U.S. Treasury Inflation Protected Securities			1,789	1.54	42,935	1.61		
U.S. agencies	180,329	1.75	57,625	4.57	17,317	7.00	3,906	1.00
U.S Government-backed loans					1,476	12.75		
Investment grade corporates	843,665	2.31	365,214	4.12	61,639	4.24		
High-yield corporates			173,824	3.61	11,348	4.03		
High-yield bond mutual fund								
Agency Mortgage-backed securities			321,523	4.97	60,892	4.78		
Non-agency Mortgage-backed securities			435,504	0.58	38,851	0.57		
Municipal bonds					46,736	5.39		
Investment agreements							123,813	13.41
<b>Total</b>	<b>\$ 1,023,994</b>		<b>\$ 1,551,439</b>		<b>\$ 307,789</b>		<b>\$ 127,719</b>	
Portfolio modified duration		2.21		3.57		4.92		13.03

**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 duration 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.

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

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

The Education Enhancement Funding Corporation and the Building Authority CREP do not have formal policies on investment credit risk.

As of June 30, 2013, 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):

<u>Moody's Rating</u>	<u>Cash Flow Portfolio Fair Value</u>	<u>Retirement Portfolios Fair Value</u>	<u>Trust Portfolios Fair Value</u>	<u>Other Funds Fair Value</u>
Aaa	\$ 268,448	\$ 460,463	\$ 146,719	\$ 24,882
Aa	168,284	65,604	35,817	
A	592,983	110,843	37,729	1,104
Baa	67,253	187,022	29,258	121,844
Ba		64,070	5,447	865
B		113,344	10,469	
Caa		178,406	15,216	
Ca		134,981	10,725	
C				
P-1				
Unrated		111,425	10,094	17,501
<b>Total</b>	<b>\$ 1,096,968</b>	<b>\$ 1,426,158</b>	<b>\$ 301,474</b>	<b>\$ 166,196</b>

**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, 2013, are as follows (in U.S. dollar fair value, expressed in thousands):

<u>Currency</u>	<u>Retirement Portfolios</u>				<u>Trust Portfolios</u>		
	<u>Equities U.S. Dollar Fair Value</u>	<u>Fixed Income U.S.</u>	<u>Cash U.S Dollar Fair Value</u>	<u>Total</u>	<u>Equities U.S. Dollar Fair Value</u>	<u>Cash U.S Dollar Fair Value</u>	<u>Total</u>
	Australian Dollar	\$ 10,132	\$	\$ 239	\$ 10,371	\$	\$
Brazilian Real	1,869			1,869			
British Pound	269,530		4,941	274,471	27,997		27,997
Canadian Dollar	65,383		351	65,734	3,642	35	3,677
Danish Kroner	8,310		29	8,339			
Euro	314,463		2,952	317,415	31,591		31,591
Hong Kong Dollar	2,937		49	2,986			
Hungarian Forint	863		71	934			
Japanese Yen	182,168		1,784	183,952	15,469	73	15,542
Korean Won	30,888		2	30,890			
Norwegian Krone	1,463		1,062	2,525			
Singapore Dollar	676		4	680			
Swedish Krona	479			479			
Swiss Franc	249,363		9	249,372	30,323		30,323
<b>Total Fair Value</b>	<b>\$1,138,524</b>	<b>\$</b>	<b>\$ 11,493</b>	<b>\$ 1,150,017</b>	<b>\$ 109,022</b>	<b>\$ 108</b>	<b>\$ 109,130</b>

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, 2013 was \$160,753,670. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2013 was \$2,259,295,344. The total fair value of global equity investments managed by outside managers was \$218,486,827. The total fair value of arbitrage equity investments managed by outside managers was \$92,334,867.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Cash Flow Portfolio has a policy in place limiting its investments in individual holdings. Information regarding the Cash Flow Portfolio policy is located in the Credit Risk section. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the Retirement Portfolios and Trust Portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios at June 30, 2013.

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

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

**Futures Contracts.** A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the Retirement Portfolios mix and at a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2013, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, the SDIC pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, the portfolios receive or pay a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The pending variation margin at June 30, 2013 of \$1,875,343 is presented in the Statement of Net Position as "Due from brokers – futures transactions." The change in fair value of the futures contracts is presented in the Statement of Changes in Net Position as "Net appreciation in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2013 was \$1,175,916. Futures contracts outstanding at June 30, 2013 were as follows:

	<u>Open Position</u>	<u>Contracts</u>	<u>Notional Contract size</u>	<u>Fair Value</u>
U.S. Treasury Note future due September 2013	Long	1,528	\$100,000 par value 6% U.S. Treasury note	\$ 193,387,501
S&P 500 future due September 2013	Short	(1,087)	\$250 x S&P 500 futures price	\$(437,008,725)

**Foreign Currency Forward Contracts.** The SDIC enters into foreign exchange forward contracts to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Net Position as "Investments at fair value – Equities." The change in fair value of the forward contracts is presented in the Statement of Changes in Net Position as "Net appreciation in fair value of investments." The net change in fair value from foreign currency forward contracts for fiscal year ended June 30, 2013 was \$3,189,401. At June 30, 2013, the foreign currency forward contracts outstanding were as follows:

<u>Description</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Fair Value (U.S. Dollars)</u>
Forward sale	(1,943,536) CHF	07/25/2013	\$ 12,753
Forward sale	(19,770,519) CHF	08/02/2013	316,745
Forward sale	(20,777,375) EUR	09/20/2013	355,975
Forward sale	(115,000,000) JPY	08/08/2013	1,721
Forward purchase	129,400,000 CNY	07/24/2014	548,163
Forward purchase	128,050,000 CNY	07/28/2014	330,883
Forward purchase	117,237,600 CNY	09/10/2015	359,684
Forward purchase	150,250,000 CNY	03/30/2015	(1,337,837)
Forward purchase	158,375,000 CNY	11/30/2016	(473,115)
Forward sale	282,573 EUR	08/08/2013	2,019

**Credit Risk.** SDIC is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2013, the net fair value of foreign currency forward contracts was \$1,923,906. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The credit ratings of the counterparties are as follows:

Moody's Credit Rating	Number of Counterparties	Fair Value
A1	1	\$ (1,913,172)
Aa3	1	(10,734)

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

**Foreign Currency Risk.** SDIC is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in U.S. dollars is \$116,991.

## **B. Component Units**

### **Deposits**

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of the failure of a depository institution, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2013 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$1,675,753.

### **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, 2013, investments in the amount of \$1,930,410 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

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

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

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

As of June 30, 2013, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasury bills	\$ 10,584	\$ 10,584	\$	\$	\$
U.S. Treasury notes	71,515	1,571	33,547	35,356	1,041
U.S. Treasury strips	63	63			
U.S. agencies	499,644	21,408	204,018	30,571	243,647
Mutual funds	163,311	163,311			
State Obligations	6,249	1,268	4,441		540
Investment agreements	15,000	7,986	6,390		624
<b>Total</b>	<b>\$ 766,366</b>	<b>\$ 206,191</b>	<b>\$ 248,396</b>	<b>\$ 65,927</b>	<b>\$ 245,852</b>

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the investment policy of the Housing Development Authority to invest in securities limited to direct general obligations of the U.S. Government, U.S. Government agencies, direct and general obligations of any state within the United States, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. If securities are downgraded after purchase, the Authority will analyze the reason for the downgrade and determine what, if any, action is needed. Investments issued by or explicitly guaranteed by the U.S. Government are not considered to have a credit risk.

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

As of June 30, 2013, the Housing Development Authority and the Economic Development Finance Authority investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
Aaa	\$ 275,226
Aa	294,874
A	
Baa	
Unrated	12,993
<b>Total Fair Value</b>	<b>\$ 583,093</b>

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2013 the Economic Development Finance Authority has the maximum portfolio exposure to permitted investments:

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

The Housing Development Authority will minimize Concentration Credit Risk by diversifying the investment portfolio and reducing the impact potential losses from any one type of security or issuer. As of June 30, 2013, the following issuers held 5% or more of the Housing Development Authority's investments: Federal Home Loan Bank (14.85%), Federal National Mortgage Association (19.88%), and Federal Home Loan Mortgage Corporation (15.01%).

## Hedging Derivative Financial Instruments in Component Units

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

**Swap Terms.** The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2013, 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	Termination Date	Counterparty Credit Rating*	Fair Value
<b>Merrill Lynch Capital Services</b>							
2003 C-1	\$	06/18/2004	3.40%	57% of LIBOR plus 0.42%	05/01/2013	Baa2	\$
2005 D	6,925	04/13/2005	3.29%	57.3 % of LIBOR plus 0.40%	05/01/2015	Baa2	(369)
2007 I	34,000	10/16/2007	4.14%	63.8% of LIBOR plus 0.30%	05/01/2038	Baa2	(4,025)
<b>JPMorgan Chase Bank, N.A.</b>							
2004 G	33,000	10/20/2004	3.90%	63.4% of LIBOR plus 0.29%	05/01/2034	Aa3	(1,575)
2005 C	41,000	04/13/2005	3.93%	63.3% of LIBOR plus 0.30%	05/01/2035	Aa3	(2,526)
2008 F	34,000	09/04/2008	3.85%	63.7% of LIBOR plus 0.31%	05/03/2039	Aa3	(3,685)
<b>The Bank of New York, Mellon, N.A. (Novated from UBS on 7/22/2010)</b>							
2003 F		06/21/2005	3.76%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa1	
2003 I	28,000	06/21/2005	3.76%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa1	(462)
2004 C	34,000	06/21/2005	3.75%	63.8% of LIBOR plus 0.29%	05/01/2034	Aa1	(1,045)
<b>Bank of America, N.A.</b>							
2009 C	22,000	11/18/2009	3.14%	64.0% of LIBOR plus 0.22%	05/01/2039	A3	(1,304)
<b>Merrill Lynch Derivative Products, AG.</b>							
2005 G	25,000	07/19/2005	3.77%	63.8% of LIBOR plus 0.29%	05/01/2035	Aa3	(1,612)
2006 C	45,000	06/14/2006	4.42%	64% of LIBOR plus 0.29%	05/01/2037	Aa3	(4,667)
2008 C	41,210	03/26/2008	3.42%	63.7% of LIBOR plus 0.30%	05/01/2039	Aa3	(2,668)
MPB 2008 A	7,070	08/02/2008	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(646)

\* Moody's Investors Service

The fair values presented above were estimated by the Housing Development Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations 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, 2013. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

## **Swap Risks**

**Credit Risk.** The terms of the swaps expose the Housing Development Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure to its counterparties when the swap positions have a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral thresholds are based on the prevailing ratings, as determined by Moody's and Standard & Poor's, of each counterparty, in the case of the counterparties, or hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2013 neither the Authority nor any counterparty had been required to post collateral.

**Basis Risk.** The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2013, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.58% per annum, while the weighted average interest rate on the swaps was 1.60% 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. As of June 30, 2013, outstanding debt principal exceeds current swap notional amounts by \$7,290,000.

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

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



**Swap Payments and Associated Debt.** As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2013 (expressed in thousands):

Year End 30-Jun	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap – Net	
2014	\$ 90	\$ 310	\$ 11,291	\$ 11,691
2015	95	310	10,946	11,351
2016	100	309	10,721	11,130
2017	100	309	10,660	11,069
2018	105	309	10,642	11,056
2019-2023	610	1,543	53,156	55,309
2024-2028	13,480	1,535	52,893	67,908
2029-2033	136,785	1,286	45,039	183,110
2034-2038	190,175	341	14,161	204,677
2039-2043	15,215	25	738	15,978
2044-2048	1,740	7	159	1,906
2049-2051				
Total	<u>\$ 358,495</u>	<u>\$ 6,284</u>	<u>\$ 220,406</u>	<u>\$ 585,185</u>

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

Bond Series	Debt Maturity Date	Swap Termination Date
2005 D	11/01/2031	05/01/2015

**Mortgage-Backed Security (MBS) Forwards Contracts.** The South Dakota Housing Development Authority has entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by Ginnie Mae and Fannie Mae in the future, before the securities are ready for delivery (referred to as “to-be-announced” or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Authority approved lenders. The forward contracts offset the financial impact to the Authority of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. The forward contracts are considered derivative instruments and the fair values were obtained from an external pricing specialist which used acceptable methods and assumptions in accordance with GASB requirements, subject to review and approval by the Authority. A positive fair value represents money due the Authority by the counterparty, while a negative fair value represents money payable by the Authority.

Outstanding forward sales contracts as of June 30, 2013 are as follows:

<b>Forward Contracts to sell TBA Mortgage-Backed Securities</b>	<b>Notional Amount June 30, 2013</b>	<b>Trade Date</b>	<b>Delivery Date</b>	<b>Coupon Rate</b>	<b>Fair Values June 30, 2013</b>	<b>Moody's Credit Rating</b>
<b>Bank of America Merrill Lynch</b>						
GNMA II	\$ 551,700	6/17/2013	8/20/2013	3.00%	\$ 16,982	Not rated
GNMA II	1,000,000	6/17/2013	8/20/2013	3.00%	30,781	Not rated
GNMA II	370,000	6/17/2013	8/20/2013	3.50%	8,094	Not rated
<b>Bank of New York Mellon</b>						
FNMA	1,000,000	5/7/2013	7/15/2013	3.00%	57,344	Aa1
FNMA	245,000	6/7/2013	7/15/2013	3.00%	6,048	Aa1
GNMA II	1,000,000	4/24/2013	7/22/2013	3.00%	68,594	Aa1
GNMA II	1,000,000	5/15/2013	7/22/2013	3.50%	37,656	Aa1
GNMA II	500,000	5/24/2013	8/20/2013	3.50%	14,844	Aa1
GNMA II	400,000	6/12/2013	8/20/2013	3.50%	6,125	Aa1
GNMA II	300,000	6/12/2013	8/20/2013	4.00%	3,328	Aa1
GNMA II	626,650	6/17/2013	8/20/2013	3.50%	12,729	Aa1
FNMA	500,000	6/28/2013	9/12/2013	4.50%		Aa1
<b>Simmons First</b>						
GNMA II	400,000	6/7/2013	8/20/2013	3.50%	6,438	Not rated
GNMA II	1,800,000	6/28/2013	9/19/2013	4.00%	843	Not rated
GNMA II	800,000	6/28/2013	9/19/2013	4.50%	(500)	Not rated
	<b><u>\$ 10,493,350</u></b>				<b><u>\$ 269,306</u></b>	

## 4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

### A. Receivables - Net

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

	Governmental Activities							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	\$115,787	\$ 12,101	\$	\$	\$	\$ 3,782	\$	\$ 131,670
Allowance	(11,375)	(25)				(1)		(11,401)
Accounts Receivable	7,971	1,307	7,144	10	17	23,582	850	40,881
Allowance	(1,290)	(472)				(4,905)		(6,667)
Due From Other Governments	916	52,798	36,531			79,814	164	170,223
Interest Receivable	1,233	300	1	828	1,598	1,551	116	5,627
Current Loans and Notes						6,325		6,325
Allowance						(175)		(175)
Non-current Loans and Notes		145				61,298		61,443
Allowance						(11)		(11)
Due From Fiduciary Funds	36					120	43	199
<b>Receivables, net</b>	<b>\$113,278</b>	<b>\$ 66,154</b>	<b>\$ 43,676</b>	<b>\$ 838</b>	<b>\$ 1,615</b>	<b>\$ 171,380</b>	<b>\$1,173</b>	<b>\$ 398,114</b>

	Business-type Activities				Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	
Accounts Receivable	\$ 4,417	\$	\$	\$ 5,058	\$ 9,475
Allowance	(14)			(3,223)	(3,237)
Due From Other Governments		367	416	608	1,391
Interest Receivable	45	2,360	1,875	357	4,637
Current Loans Receivable		17,193	10,334	11,300	38,827
Allowance					
Noncurrent Loans Receivable		196,436	138,413	32,770	367,619
Allowance				(2,428)	(2,428)
Due From Fiduciary Funds				21	21
<b>Receivables, net</b>	<b>\$ 4,448</b>	<b>\$216,356</b>	<b>\$151,038</b>	<b>\$ 44,463</b>	<b>\$ 416,305</b>

**B. Accounts Payable and Other Current Liabilities**

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

<b>Governmental Activities</b>								
	<b>General Fund</b>	<b>Transportation Fund</b>	<b>Social Services Federal Fund</b>	<b>Dakota Cement Trust</b>	<b>Educational Enhancement Trust</b>	<b>Non-major Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
Payroll and Withholdings	\$11,398	\$ 4,281	\$ 2,090	\$	\$	\$ 8,306	\$ 1,998	\$ 28,073
Accounts Payable	10,806	39,742	4,751	110	170	16,223	2,191	73,993
Bank Tax Refund	5,313							5,313
Medicaid and CHIP Claims	22,201		29,005			6,091		57,297
Due to Other Governments	3,261	4,548	226			29,219	153	37,407
Shared Revenue Distribution	13,166					33,459		46,625
Claims Payable							17,143	17,143
Due to Fiduciary Funds	47					53		100
<b>Total</b>	<b>\$66,192</b>	<b>\$ 48,571</b>	<b>\$ 36,072</b>	<b>\$ 110</b>	<b>\$ 170</b>	<b>\$ 93,351</b>	<b>\$21,485</b>	<b>\$ 265,951</b>

<b>Business-type Activities</b>					
	<b>Lottery Fund</b>	<b>Clean Water State Revolving Fund</b>	<b>Drinking Water State Revolving Fund</b>	<b>Non-major Enterprise Funds</b>	<b>Total</b>
Payroll and Withholdings	\$ 122	\$ 16	\$ 12	\$ 561	\$ 711
Accounts Payable	2,054	973	280	4,229	7,536
Due to Fiduciary Funds				11	11
Escrow Payable	68				68
Claims Payable				818	818
Other Liabilities	494			19	513
<b>Total</b>	<b>\$ 2,738</b>	<b>\$ 989</b>	<b>\$ 292</b>	<b>\$ 5,638</b>	<b>\$ 9,657</b>

## 5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2013 is as follows (expressed in thousands):

### A. Interfund Receivables and Payables

Due To	Due From								Total	
	General Fund	Transportation Fund	Social Services Federal Fund	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Non-major Enterprise Funds	Internal Service Funds		Fiduciary Funds
General Fund	\$	\$	\$ 4,797	\$ 14,413	\$ 14,395	\$ 4,282	\$ 5	\$ 13	\$ 36	\$ 37,941
Transportation Fund					1,437	62	1	597		2,097
Social Services Federal Fund					6					6
Non-major Governmental Funds	445	42	276		1,855	2,331	172	156	120	5,397
Non-major Enterprise Funds	38		15		86			92	21	252
Internal Service Funds	2,294	1,015	644		2,629	62	154	649	43	7,490
Fiduciary Funds	47				53		11			111
<b>Total</b>	<b>\$ 2,824</b>	<b>\$ 1,057</b>	<b>\$ 5,732</b>	<b>\$ 14,413</b>	<b>\$ 20,461</b>	<b>\$ 6,737</b>	<b>\$ 343</b>	<b>\$ 1,507</b>	<b>\$ 220</b>	<b>\$ 53,294</b>

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, 2013 which are not shown in the above table. These are amounts owed between funds that are not due within one year. In fiscal year 2013, advances include \$1,002,432 from the Energy Conservation Fund, reported as a non-major governmental fund, to the General Fund for energy conservation projects.

### B. Interfund Transfers

Transferred From	Transferred To							Total
	General Fund	Transportation Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$	\$ 50	\$ 3,000	\$ 24,622	\$ 2,281	\$ 1,228	\$ 2,000	\$ 33,181
Transportation Fund	2,832			1,175				4,007
Social Services Federal Fund				219				219
Dakota Cement Trust Fund	9,357							9,357
Education Enhancement Trust Fund	14,413							14,413
Non-major Governmental Funds	69,801	6,640	1,683	7,535	3,863			89,522
Lottery Fund	98,554	234		8,916				107,704
Clean Water State Revolving Fund				30				30
Drinking Water State Revolving Fund				26				26
Non-major Enterprise Funds	2			2,820				2,822
Internal Service Funds	1,840			345	12	257		2,454
<b>Total</b>	<b>\$ 196,799</b>	<b>\$ 6,924</b>	<b>\$ 4,683</b>	<b>\$ 45,688</b>	<b>\$ 6,156</b>	<b>\$ 1,485</b>	<b>\$ 2,000</b>	<b>\$ 263,735</b>

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 2013, \$176,294,491 of State appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

## 6. CAPITAL ASSETS

### A. Primary Government

Capital Assets consisted of the following for fiscal year 2013 (expressed in thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets not Being Depreciated:</b>				
Land	\$ 110,453	\$ 1,109	\$ 849	\$ 110,713
Land Improvements	7,139	638		7,777
Land & Improvements - Roads	602,085	2,734		604,819
Construction in Progress, as restated	244,653	150,109	169,031	225,731
<b>Total Capital Assets Not Being Depreciated</b>	<b>964,330</b>	<b>154,590</b>	<b>169,880</b>	<b>949,040</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	25,547	3,074		28,621
Buildings, as restated	506,810	48,100	3,957	550,953
Equipment	184,091	16,561	7,507	193,145
Intangible Assets - Software	54,547	7,549	172	61,924
Vehicles	133,484	13,159	8,786	137,857
Infrastructure	3,476,514	116,886	21,951	3,571,449
<b>Total Capital Assets Being Depreciated</b>	<b>4,380,993</b>	<b>205,329</b>	<b>42,373</b>	<b>4,543,949</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	8,558	1,318	84	9,792
Buildings	169,569	15,899	2,152	183,316
Equipment	105,381	13,873	6,657	112,597
Intangible Assets - Software	38,714	4,394	151	42,957
Vehicles	78,643	8,019	7,640	79,022
Infrastructure	1,353,327	59,799	17,902	1,395,224
<b>Total Accumulated Depreciation</b>	<b>1,754,192</b>	<b>103,302</b>	<b>34,586</b>	<b>1,822,908</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,626,801</b>	<b>102,027</b>	<b>7,787</b>	<b>2,721,041</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 3,591,131</b>	<b>\$ 256,617</b>	<b>\$ 177,667</b>	<b>\$ 3,670,081</b>

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Capital Assets not Being Depreciated:</b>				
Land	\$ 295	\$	\$	\$ 295
Construction in Progress		110		110
<b>Total Capital Assets Not Being Depreciated</b>	<b>295</b>	<b>110</b>		<b>405</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	4,535	1,297	146	5,686
Intangible Assets - Software	725			725
<b>Total Capital Assets Being Depreciated</b>	<b>10,192</b>	<b>1,297</b>	<b>146</b>	<b>11,343</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	576	14		590
Buildings	3,037	65		3,102
Equipment	2,269	835	143	2,961
Intangible Assets - Software	712	4		716
<b>Total Accumulated Depreciation</b>	<b>6,594</b>	<b>918</b>	<b>143</b>	<b>7,369</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,598</b>	<b>379</b>	<b>3</b>	<b>3,974</b>
<b>Total Business-type Activities, Net</b>	<b>\$ 3,893</b>	<b>\$ 489</b>	<b>\$ 3</b>	<b>\$ 4,379</b>

Depreciation was charged to the function of government as follows:

<b>Governmental Activities</b>	<b>Amount</b>
Unallocated	\$ 53
General Government	9,731
Health, Human and Social Services	3,079
Law, Justice, Public Protection and Regulation	12,586
Agriculture and Natural Resources	4,023
Transportation	71,862
Education	1,874
Economic Resources	94
<b>Total Governmental Activities</b>	<b>\$103,302</b>
<b>Business-type Activities</b>	
Enterprise Funds	<b>\$ 918</b>

## B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2013 (expressed in thousands):

	Beginning Balance	Additions	Deletions	Balance
<b>Higher Education:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 23,651	\$ 133	\$	\$ 23,784
Construction in Progress, as restated	48,477	73,854	46,760	75,571
Works of Art and Historical Treasures	8,716	316		9,032
<b>Total Capital Assets Not Being Depreciated</b>	<b>80,844</b>	<b>74,303</b>	<b>46,760</b>	<b>108,387</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements, as restated	30,317	4,400		34,717
Infrastructure, as restated	43,606	9,413		53,019
Buildings	886,991	34,483		921,474
Equipment and Other Assets, as restated	232,029	16,179	5,802	242,406
Intangible Assets	103			103
<b>Total Capital Assets Being Depreciated</b>	<b>1,193,046</b>	<b>64,475</b>	<b>5,802</b>	<b>1,251,719</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements, as restated	13,021	1,395		14,416
Infrastructure, as restated	16,095	1,856		17,951
Buildings	262,385	25,098		287,483
Equipment and Other Assets, as restated	174,225	12,958	5,374	181,809
Intangible Assets	6	10		16
<b>Total Accumulated Depreciation</b>	<b>465,732</b>	<b>41,317</b>	<b>5,374</b>	<b>501,675</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>727,314</b>	<b>23,158</b>	<b>428</b>	<b>750,044</b>
<b>Total Higher Education Capital Assets, Net</b>	<b>808,158</b>	<b>97,461</b>	<b>47,188</b>	<b>858,431</b>
<b>South Dakota Housing Development Authority:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	220			220
<b>Total Capital Assets Not Being Depreciated</b>	<b>220</b>			<b>220</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	1,210			1,210
Buildings	4,949			4,949
Equipment	3,557	532	81	4,008
<b>Total Capital Assets Being Depreciated</b>	<b>9,716</b>	<b>532</b>	<b>81</b>	<b>10,167</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	487	58		545
Buildings	460	125		585
Equipment and Other Assets	2,480	227	81	2,626
<b>Total Accumulated Depreciation</b>	<b>3,427</b>	<b>410</b>	<b>81</b>	<b>3,756</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,289</b>	<b>122</b>		<b>6,411</b>
<b>Total Housing Authority Capital Assets, Net</b>	<b>6,509</b>	<b>122</b>		<b>6,631</b>

Continued on next page



	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Science and Technology Authority:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	1,534			1,534
Underground Mine	16,709	52		16,761
Archive Materials	70			70
Construction in Progress	9,673	3,207	8,739	4,141
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>27,986</u></b>	<b><u>3,259</u></b>	<b><u>8,739</u></b>	<b><u>22,506</u></b>
<b>Capital Assets Being Depreciated:</b>				
Building Improvements	25,167	8,646		33,813
Buildings	7,223			7,223
Equipment	7,166	1,193		8,359
Equipment Under Capital Leases		884		884
Vehicles	79			79
Infrastructure	1,659			1,659
<b>Total Capital Assets Being Depreciated</b>	<b><u>41,294</u></b>	<b><u>10,723</u></b>		<b><u>52,017</u></b>
<b>Less: Accumulated Depreciation for:</b>				
Building Improvements	1,570	751		2,321
Buildings	1,025	147		1,172
Equipment	1,393	580		1,973
Equipment Under Capital Leases		82		82
Vehicles	34	10		44
Infrastructure	95	39		134
<b>Total Accumulated Depreciation</b>	<b><u>4,117</u></b>	<b><u>1,609</u></b>		<b><u>5,726</u></b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>37,177</u></b>	<b><u>9,114</u></b>		<b><u>46,291</u></b>
<b>Total Science and Technology Authority Capital Assets, Net</b>	<b><u>65,163</u></b>	<b><u>12,373</u></b>	<b><u>8,739</u></b>	<b><u>68,797</u></b>
<b>Ellsworth Development Authority</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land and Easements		237	40	197
Construction in Progress, as restated	874	4,990		5,864
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>874</u></b>	<b><u>5,227</u></b>	<b><u>40</u></b>	<b><u>6,061</u></b>
<b>Capital Assets Being Depreciated:</b>				
Equipment, as restated	4			4
<b>Total Capital Assets Being Depreciated</b>	<b><u>4</u></b>			<b><u>4</u></b>
<b>Less: Accumulated Depreciation for:</b>				
Equipment		3		3
<b>Total Accumulated Depreciation</b>		<b><u>3</u></b>		<b><u>3</u></b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>4</u></b>	<b><u>(3)</u></b>		<b><u>1</u></b>
<b>Total Ellsworth Development Authority Capital Assets, Net</b>	<b><u>878</u></b>	<b><u>5,224</u></b>	<b><u>40</u></b>	<b><u>6,062</u></b>
<b>Total Discretely Presented Component Units, Net</b>	<b><u>\$ 880,708</u></b>	<b><u>\$ 115,180</u></b>	<b><u>\$ 55,967</u></b>	<b><u>\$ 939,921</u></b>

During Fiscal Year 2013, the South Dakota School of Mines and Technology (SDSM&T), which is reported as part of the Higher Education discretely presented component unit, received a donation of multiple three-year software licenses from Schlumberger Company. The total list price of the software licenses, as provided by Schlumberger Company, was \$49,090,970. The related maintenance on the software licenses was also donated to SDSM&T, and the list value provided by Schlumberger for this service was \$29,451,960. Because of the specialized nature of the software, the inability to determine service capacity, and the lack of available market information on it, a fair market value for the licenses placed in operation could not be reasonably estimated. As such, the software licenses and maintenance agreement, along with the related revenue and expense, were not reported in the financial statements.

### ***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, 2013 are as follow (expressed in thousands):

<b>Primary Government</b>	<b><u>Amount</u></b>
<b>Governmental Activities</b>	
Land Improvements	\$ 495
Buildings and Structures	11,778
Equipment	5,507
Intangibles - Computer Software	51,907
Infrastructure	156,044
<b>Total Governmental Activities</b>	<b><u>\$ 225,731</u></b>
<b>Business - Type Activities</b>	
Buildings and Structures	\$ 110
<b>Total Business - Type Activities</b>	<b><u>\$ 110</u></b>
<b>Total Primary Government</b>	<b><u>\$ 225,841</u></b>
 <b>Discretely Presented Component Units</b>	
Higher Education	
Land Improvements	\$ 653
Buildings and Structures	73,483
Infrastructure	1,435
Science and Technology	
Buildings and Structures	429
Infrastructure	3,712
Ellsworth Development	
Buildings and Structures	5,864
<b>Total Discretely Presented Component Units</b>	<b><u>\$ 85,576</u></b>

## 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, 2013, the number of participating governmental employers was:

School Districts	166
State of South Dakota	1
Board of Regents	1
Municipalities	154
Counties	64
Boards and Commissions	88
Total Employers	<u>474</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, 2013. Fair values were determined based on closing market prices at June 30, 2013 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Purchases and sales are recorded as of the trade date.

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

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

Interest is accrued in the period it is earned and dividend income is recorded on the ex-dividend date.

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

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

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

Contributions for all participating employers during fiscal year 2013 totaling \$202,055,202 (\$101,678,721 employee and \$100,376,481 employer) were made in accordance with statutory rates. The primary government and its discretely presented component units' share was \$74,390,938 (\$37,221,236 employee and \$37,169,702 employer). These contributions represent 100% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer

contributions for all participating employers for fiscal years 2012, 2011, and 2010 were \$98,866,649; \$98,624,737; and \$96,194,192 respectively.

SDRS is funded by fixed member and employer contributions at a rate established by South Dakota law. On an annual basis, an independent actuarial valuation of SDRS is performed to determine the adequacy of the fixed contributions to pay the normal costs and expenses if the System is fully funded or pay the normal costs, expenses and amortize the unfunded actuarial accrued liability (UAAL) if the System is not fully funded. The June 30, 2013 actuarial valuation of the plan determined that the System is fully funded and that the statutorily required employer contributions meet the requirements for the annual required contributions of the employers under Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; and the statutorily required employer contributions are sufficient to pay the employer normal cost and expenses.

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, 2013, deferred contribution payments will be received as follows (expressed in thousands):

<u>Year Ending</u> <u>June 30</u>	<u>Employees</u>
2014	231
2015	56
2016	44
2017	31
2018	8
Later	6
Total	<u>\$ 376</u>

**South Dakota Cement Commission Retirement Plans:** On July 1, 2010, the South Dakota Retirement System (SDRS) began administering the South Dakota Cement Plant Retirement Fund (CPRF), in conjunction to the dissolution of the South Dakota Cement Commission. The Fund is a single-employer public employee retirement system (PERS). The Fund consists of six defined benefit pension plans covering all former employees of the State Cement Plant. The Plans are actuarially funded using the entry age normal, level percent of pay, funding method. The Plan's funding policy provides for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20 year period. The most recent actuarial evaluation was prepared as of July 1, 2013.

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

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

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

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges in accordance with GASB Statement No. 31. For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon the investment's current financial statements or other information provided by the underlying investment advisor. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2013 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, 2013 the fair value of assets held in trust for pension benefits was \$54,228,036.

**Department of Labor Employment Security Retirement Plan:** Employees of the Department of Labor and Regulation hired prior to July 1, 1980 had the option to become a member of the SDRS, or maintain membership in the Employment Security Retirement Plan. Per SDCL 61-2-15, the Department of Labor and Regulation may establish this retirement program and contract with a retirement plan administrator selected by the employee's retirement board. In addition this

SDCL further specifies that no obligation may be incurred against the State's General Fund to pay for this program. The assets of the plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers the plan for the participants. The State has no liability for losses under the plan.

The Employment Security Retirement Plan was established as a defined benefit single employer plan administered through a private insurance carrier, however; the plan can be changed at any time. If the plan should terminate, the full amount in the employee account will be used to provide a retirement benefit to the employee. The plan assets over and above employee accounts will be used up on a priority basis to provide retirement income for plan members.

On July 1, 2012 (the most recent actuarial valuation date) the plan had 27 active participants, 2 vested terminated participants and 219 retired participants and beneficiaries.

## **8. DEFERRED COMPENSATION PLAN**

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

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

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

## **9. SPECIAL PAY PLAN**

The Special Pay Plan (SPP) was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the SDRS Board of Trustees. South Dakota state government and the South Dakota Board of Regents are participating units and every state political subdivision may become a participating unit in the plan. The SPP mandates that qualifying employees (over age 55 and \$600 or more in "special" pay) of participating units defer 100 percent of their special lump-sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death.

## **10. OTHER POSTEMPLOYMENT BENEFITS**

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

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

Pre-Medicare retirees are eligible to be covered under the same medical plans that are provided to active employees as authorized by SDCL 3-6E-1 until the age of 65. However, retirees must contribute towards the cost of this coverage based on the contribution scale determined by the South Dakota Bureau of Human Resources. 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 defined multiple employer retiree benefit plan which provides medical insurance benefits for retirees. There were 559 retirees as of July 1, 2012. The State has a self-insured health plan with the choice of three different deductibles for the participants to choose from.

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

**Annual OPEB Cost and Net OPEB Obligation:** The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 3.519% discount rate. For year ending June 30, 2013, the state's ARC is \$7,771,151.

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

Annual Required Contribution (ARC)	\$ 7,771,151
Interest on Net OPEB Obligation (NOO)	838,350
Amortization Adjustment to ARC	<u>(1,254,266)</u>
Annual OPEB Cost (Expense)	7,355,235
Contributions	<u>(3,649,024)</u>
Increase in Net OPEB Obligation (NOO)	3,706,211
NOO, Beginning Balance	<u>23,823,533</u>
<b>NOO, Ending</b>	<b><u>\$ 27,529,744</u></b>

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to this plan, and the net OPEB obligation for FY 2009 through FY 2013 are as follows:

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage of Annual</b>	<b>Net OPEB</b>
<b>Ended</b>	<b>OPEB Cost</b>	<b>OPEB Cost Contributed</b>	<b>Obligation</b>
<b>June 30</b>			
2009	\$ 7,560,788	39.68%	\$10,485,515
2010	8,184,906	42.20%	15,218,459
2011	7,808,235	37.10%	20,132,845
2012	7,027,371	47.48%	23,823,533
2013	7,355,235	49.61%	27,529,744

**Funded Status and Funding Progress:** As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was \$67.8 million. The actuarial value of assets

is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll for active employees was \$662.5 million and the ratio of the UAAL to the covered payroll was 10.23%.

**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, 2012 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumption included a 3.519% discount rate based on the State's average bond portfolio yield for the valuation period. The annual medical trend rate is assumed to grade from 8.0 percent to 7.5 percent in 2015 and to reduce .5% each year through 2019. The annual pharmacy trend rate is assumed to grade from 7.0% to 6.5% in 2015 and to reduce by .5% the next two years then remain at 5.0% for all future years. This trend curve reflects current general medical and pharmacy trend and an assumption that trend rates will gradually lower over the next 6 years.

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

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

# 11. COMMITMENTS

**Construction and Other Commitments:** At June 30, 2013, the Department of Transportation had contractual construction commitments of \$326,759,655 for various highway projects and maintenance commitments (including stockpile) of \$8,057,331. 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 \$151,118,295 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	\$ 93,439,010
Drinking Water State Revolving Fund	\$ 21,763,607
Water and Environment Fund Program	\$ 30,254,222
Federal Funds	\$ 5,661,456

The Building Authority has contracts and other construction commitments of \$1,106,572.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$41,829,042. Financing for these commitments will be from home-ownership mortgage bonds.

The Governor's Office of Economic Development had construction and other contractual commitments of \$59,075,681. 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	\$ 57,632
REDI Fund Loans	\$23,309,450
SD Economic Development Authority	\$ 325,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	\$ 106,250
Economic Development Finance Authority, Pooled Loans	\$15,000,000
Community Development Block Grant (CDBG)	\$ 9,244,050
Future Fund Program	\$ 6,714,491
Energy Program Loans	\$ 1,618,808
State Small Business Credit Initiative Loans	\$ 2,700,000

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



## **12. SELF-INSURANCE**

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

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

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$17,312,000 at June 30, 2013. The Workers' Compensation Fund liability at June 30, 2013 and the changes to the liability during fiscal years ended June 30, 2013 and 2012 listed on the following page were as follows (expressed in thousands):

	<u>FY2013</u>	<u>FY2012</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 22,142	\$ 21,034
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	4,740	1,074
Changes in provision for insured events of prior fiscal years	124	3,283
Total incurred claims and claim adjustment expenses	<u>4,864</u>	<u>4,357</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,463	1,117
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,136	2,132
Total payments	<u>3,599</u>	<u>3,249</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 23,407</u>	<u>\$ 22,142</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 2013, \$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, 2013 and the changes to the liability during fiscal years ended June 30, 2013 and 2012 were as follows (expressed in thousands):

	<u>Health Insurance</u>		<u>Life Insurance</u>	
	<u>FY2013</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2012</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 12,556	\$ 11,181	\$ 131	\$ 177
Incurred claims and claim adjustment expenses	111,121	103,239	3,054	3,120
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	95,169	90,683	2,407	2,989
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	12,556	11,181	131	177
Total payments	107,725	101,864	2,538	3,166
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 15,952	\$ 12,556	\$ 647	\$ 131

### **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 FY2013 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 2013, \$4,788,807 of the net assets balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2013 and the changes to the liability during fiscal years ended June 30, 2013 and 2012 were as follows (expressed in thousands):

	<u>FY2013</u>	<u>FY2012</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,586	\$ 4,835
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	993	1,370
Changes in provision for insured events of prior fiscal years	1,007	(643)
Total incurred claims and claim adjustment expenses	2,000	727
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	517	403
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	943	573
Total payments	1,460	976
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 5,126	\$ 4,586

## **D. Risk Management**

The State is commercially insured for boiler insurance, aircraft, and crime bonds through outside insurance companies. Entities participating in this insurance coverage 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.

A contract between GOED (formerly the Department of Tourism and State Development) and SDRC dated December 22, 2009 was created to stimulate the economy through job creation and capital investment by foreign investors in order to obtain a green card through the United States Citizenship and Immigration Service (USCIS). An indemnification account was created through the contract with SDRC to protect against and cover legal or litigation cost for itself and the State of South Dakota. The balance in the EB-5 Indemnification Fund One account at June 30, 2013 was \$989,946. Additionally, the contract required the SDRC Inc. to purchase professional liability insurance with the GOED named as an insured party and to fund a separate indemnification fund, named Indemnification Fund Two. The limits of the liability coverage are to be not less than \$3,000,000 per occurrence and are to cover SDRC's obligations to indemnify the GOED.

## **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, 2013 (expressed in thousands):

<b>Year Ending June 30</b>	<b>Primary Government</b>	<b>Component Units</b>
2014	\$ 7,737	\$ 2,004
2015	7,037	1,527
2016	6,526	1,051
2017	5,886	461
2018	4,556	211
2019-2023	16,210	964
2024-2028	7,333	39
2029-2033	2,787	
2034-2038	390	
2039-2043	3	
<b>Total Minimum Payments</b>	<b>\$ 58,465</b>	<b>\$ 6,257</b>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2013 was \$14,118,110 for the primary government and \$2,785,245 for component units.

## 14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2013 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities *</b>					
Revenue Bonds	\$ 228,948	\$169,645	\$ (210,739)	\$ 187,854	\$ 17,831
Less Unamortized Discount	(1,774)		1,738	(36)	(6)
Less Deferred Loss on Refunding	(200)		(5,557)	(5,757)	
Add Unamortized Premium	612	8,841	(219)	9,234	48
Net Revenue Bonds	<u>227,586</u>	<u>178,486</u>	<u>(214,777)</u>	<u>191,295</u>	<u>17,873</u>
Trust Certificates	16,490		(2,895)	13,595	3,040
Compensated Absences	51,190	36,185	(33,645)	53,730	28,944
Policy Claims Liability	4,586	2,000	(1,460)	5,126	1,386
Workers Compensation	22,146	4,864	(3,598)	23,412	3,019
Capital Leases	64,279	18,232	(3,829)	78,682	3,717
Pollution Remediation Obligation	11,158	2,831	(692)	13,297	200
Escheat Property	4,775	4,711	(3,258)	6,228	3,084
Net OPEB Obligation	15,247	4,707	(2,335)	17,619	-
<b>Total Governmental Activities</b>	<b><u>\$ 417,457</u></b>	<b><u>\$252,016</u></b>	<b><u>\$ (266,489)</u></b>	<b><u>\$ 402,984</u></b>	<b><u>\$ 61,263</u></b>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 217,666	\$	\$ (10,160)	207,506	\$ 11,795
Less Deferred Loss on Refunding	(8,019)		638	(7,381)	(638)
Add Unamortized Premium	13,058		(660)	12,398	660
Net Revenue Bonds	<u>222,705</u>		<u>(10,182)</u>	<u>212,523</u>	<u>11,817</u>
Other Noncurrent Liabilities		188		188	
Compensated Absences	1,288	905	(737)	1,456	783
<b>Total Business-type Activities</b>	<b><u>\$ 223,993</u></b>	<b><u>\$ 1,093</u></b>	<b><u>\$ (10,919)</u></b>	<b><u>\$ 214,167</u></b>	<b><u>\$ 12,600</u></b>
<b>Component Units</b>					
Revenue Bonds	\$ 2,072,382	\$216,963	\$ (437,770)	\$1,851,575	\$ 64,409
Less Deferred Loss on Refunding	(3,312)	707	(1,366)	(3,971)	(212)
Less Unamortized Discount	(280)	11		(269)	(11)
Add Unamortized Premium	19,085	5,194	(3,918)	20,361	595
Net Revenue Bonds	<u>2,087,875</u>	<u>222,875</u>	<u>(443,054)</u>	<u>1,867,696</u>	<u>64,781</u>
Compensated Absences	37,026	13,883	(12,576)	38,333	12,186
Capital Leases (as restated)	2,400	3,202	(2,199)	3,403	1,537
Rural Development Loans	4,122		(235)	3,887	225
Federal Portion of Perkins Loan Program	37,796	32		37,828	
Advances from Primary Government		3,326		3,326	
Net OPEB Obligation	8,577	2,648	(1,314)	9,911	
<b>Total Component Units</b>	<b><u>\$ 2,177,796</u></b>	<b><u>\$245,966</u></b>	<b><u>\$ (459,378)</u></b>	<b><u>\$1,964,384</u></b>	<b><u>\$ 78,729</u></b>

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

## **Revenue Bonds and Trust Certificates**

### **A. Governmental Activities**

#### **1. South Dakota Building Authority**

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

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

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

Following are SDBA bonds and trust certificates outstanding at June 30, 2013 (expressed in thousands):

<b>Bond Series:</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
1996A	2016	5.800% - 5.950%	\$ 6,327
2003	2015	4.000% - 4.125%	120
2005B	2026	4.000% - 5.000%	6,025
2006A	2026	4.250% - 5.000%	8,815
2007	2032	4.250% - 5.000%	4,535
2008	2033	4.000% - 5.000%	1,805
2010B	2035	1.900% - 6.200%	5,145
2010C	2031	3.300% - 5.850%	3,610
2010D	2019	2.250% - 3.250%	628
Add Unamortized Premium			393
Less Unamortized Discount			(36)
Less Deferred Loss on Refunding			(2)
Total Bonds			<u>37,365</u>
Trust Certificate Series:			
1991 (A&B)	2016	6.625%-6.750%	1,835
1993A	2017	6.700%	<u>11,760</u>
Total Trust Certificates			<u>13,595</u>
<b>Total</b>			<b><u>\$ 50,960</u></b>

As of June 30, 2013, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 6,918	\$ 5,367	\$ 12,285
2015	6,349	5,232	11,581
2016	5,766	4,738	10,504
2017	5,682	4,238	9,920
2018	4,393	1,209	5,602
2019 - 2023	9,527	4,372	13,899
2024 - 2028	9,125	1,945	11,070
2029 - 2033	2,225	542	2,767
2034 - 2038	620	56	676
<b>Total</b>	<b><u>\$50,605</u></b>	<b><u>\$27,699</u></b>	<b><u>\$ 78,304</u></b>

## **2. Educational Enhancement Funding Corporation**

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

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2013 (expressed in thousands):

<b>Bond Series:</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
2013A	2027	.855% - 3.539%	\$104,210
2013B	2027	5.00%	46,635
Add Unamortized Premium			8,841
Less Unamortized Deferred Amount of Refunding			(5,755)
<b>Total</b>			<b><u>\$153,931</u></b>

As of June 30, 2013, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 13,995	\$ 4,730	\$ 18,725
2015	13,225	4,611	17,836
2016	12,535	4,453	16,988
2017	11,935	4,259	16,194
2018	11,500	4,031	15,531
2019-2023	50,990	15,194	66,184
2024-2027	36,665	4,368	41,033
<b>Total</b>	<b><u>\$150,845</u></b>	<b><u>\$ 41,646</u></b>	<b><u>\$192,491</u></b>

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

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

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

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. This financial presentation does not change the legal liability of the indebtedness.

The following is a schedule of outstanding bonds as of June 30, 2013 (expressed in thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Clean Water State Revolving Fund</b>			
1996A	2017	5.625%	\$ 100
2010AB	2030-2031	4.084%-5.646%	52,150
2012AB	2027-2033	.25%-5.00%	89,385
Less Unamortized Deferred Loss on Refunding			(4,339)
Add Unamortized Premium			10,496
<b>Total</b>			<b>147,792</b>
<b>Drinking Water State Revolving Fund</b>			
2010AB	2030 - 2031	2.00%-5.646%	33,715
2012AB	2023 - 2027	.25%-5.00%	32,155
Less Unamortized Deferred Amount of Refunding			(3,041)
Add Unamortized Premium			1,902
<b>Total</b>			<b>64,731</b>
<b>Total Revenue Bonds</b>			<b>\$ 212,523</b>

As of June 30, 2013, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Clean Water State Revolving Fund</b>			
2014	\$ 7,415	\$ 5,427	\$ 12,842
2015	7,580	5,241	12,821
2016	7,460	5,024	12,484
2017	7,500	4,800	12,300
2018	7,710	4,556	12,266
2019-2023	38,575	18,990	57,565
2024-2028	40,475	10,619	51,094
2029-2033	24,920	2,625	27,545
<b>Total</b>	<b>141,635</b>	<b>57,282</b>	<b>198,917</b>
<b>Drinking Water State Revolving Fund</b>			
2014	4,380	2,197	6,577
2015	4,475	2,088	6,563
2016	4,575	1,969	6,544
2017	4,685	1,844	6,529
2018	4,825	1,707	6,532
2019-2023	21,895	6,475	28,370
2024-2028	15,465	3,023	18,488
2029-2033	5,570	376	5,946
<b>Total</b>	<b>65,870</b>	<b>19,679</b>	<b>85,549</b>
<b>Total</b>	<b>\$ 207,505</b>	<b>\$ 76,961</b>	<b>\$ 284,466</b>

### **C. Component Units**

#### **1. South Dakota Housing Development Authority**

The South Dakota Housing Development Authority (SDHDA) provides mortgage financing for construction, rehabilitation, and purchase of residential housing and assists in coordinating with federal, state, regional, and local public and private efforts

with statewide housing planning. The SDHDA issues negotiable notes and bonds in amounts authorized by the Governor of South Dakota. Notes and bonds of the SDHDA do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. These notes and bonds are payable solely from the revenues or assets of the SDHDA. Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2013 (expressed in thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Home-Ownership Mortgage Program</b>			
	2013-2043	.05%-6.25%	
Serial Bonds			\$ 244,045
Term Bonds			790,658
Add Unamortized Premium			9,811
Less Deferred Loss on Refunding			<u>(1,147)</u>
<b>Total</b>			<b><u>1,043,367</u></b>
<b>Single Family Mortgage Revenue Bonds</b>			
	2013-2041	.80%-5.00%	
Serial Bonds			55,210
Term Bonds			249,750
Add Unamortized Premium			<u>1,705</u>
<b>Total</b>			<b><u>306,665</u></b>
<b>Multifamily Housing Trust Funds</b>			
	2013-2048	.14%-5.15%	
Serial Bonds			15,005
Term Bonds			16,055
Less Deferred Loss on Refunding			<u>(629)</u>
<b>Total</b>			<b><u>30,431</u></b>
<b>Multifamily Housing Revenue Bonds</b>			
	2013-2044	.06%-6.15%	
Serial Bonds			2,788
Term Bonds			<u>26,575</u>
<b>Total</b>			<b><u>29,363</u></b>
<b>Multifamily Mortgage Pass-Through</b>			
Term Bonds	2013-2017	3.75%-7.50%	<u>4,816</u>
<b>Multifamily Risk Sharing Bonds</b>			
Term Bonds	2013-2043	5.35%-5.85%	<u>12,785</u>
<b>Total Bonds</b>			<b><u>\$1,427,427</u></b>

As of June 30, 2013, debt service requirements for principal and interest for the SDHDA were as follows (expressed in thousands):

<b>Year Ended</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 46,152	\$ 50,725	\$ 96,877
2015	44,280	49,507	93,787
2016	44,630	48,288	92,918
2017	45,280	46,739	92,019
2018	40,350	45,292	85,642
2019-2023	186,202	205,457	391,659
2024-2028	183,809	169,417	353,226
2029-2033	338,239	125,420	463,659
2034-2038	330,997	52,770	383,767
2039-2043	82,360	17,673	100,033
2044-2048	75,173	234	75,407
2049-2052	215	-	215
<b>Total</b>	<b><u>\$1,417,687</u></b>	<b><u>\$ 811,522</u></b>	<b><u>\$ 2,229,209</u></b>



## **2. South Dakota Economic Development Finance Authority**

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

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

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The money on deposit in the Capital Reserve Account is irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12.5% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2013, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$2,317,500.

The following is a schedule of outstanding bonds as of June 30, 2013 (expressed in thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
2004A	2014-2029	5.00%-6.00%	\$ 3,960
2004B	2014-2024	5.00%-5.95%	2,475
2005A	2016-2026	5.50%-6.05%	3,795
2008	2015-2028	4.75%-5.875%	6,370
2009A&B	2016-2019	4.00%-5.00%	1,940
<b>Total</b>			<b>\$ 18,540</b>

As of June 30, 2013, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 1,035	\$ 1,067	\$ 2,102
2015	1,090	1,018	2,108
2016	1,145	962	2,107
2017	1,215	900	2,115
2018	1,275	830	2,105
2019-2023	5,920	3,092	9,012
2024-2028	6,145	1,215	7,360
2029	715	43	758
<b>Total</b>	<b>\$18,540</b>	<b>\$ 9,127</b>	<b>\$27,667</b>

### 3. Higher Education

#### a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2013 equaled \$26,893,850.

Following are revenue bonds outstanding at June 30, 2013 (expressed in thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>School of Mines and Technology</b>			
2003	2033	2.350%-5.300%	\$ 6,410
2008	2028	4.550%	3,530
2009	2039	2.150%-6.250%	9,685
Less Unamortized Discount			(22)
<b>University of South Dakota</b>			
2005A	2030	4.000%-5.000%	10,590
2009	2039	2.150%-6.250%	41,785
2013	2028	2.000%-5.000%	11,990
Less Deferred Loss on Refunding			(252)
Less Unamortized Discount			(180)
Add Unamortized Premium			1,177
<b>South Dakota State University</b>			
2004	2024	2.500%-5.000%	19,520
2005A	2030	4.000%-5.000%	2,415
2006	2060	3.920%	5,880
2009	2039	2.150%-6.250%	30,445
2011	2031	2.000%-5.000%	57,700
Less Deferred Loss on Refunding			(388)
Less Unamortized Discount			(65)
Add Unamortized Premium			3,370
<b>Northern State University</b>			
2004A	2029	3.000%-5.000%	4,825
2008	2038	4.550%	935
2009	2039	2.150%-6.250%	1,275
2011	2031	2.000%-5.000%	5,635
Less Deferred Loss on Refunding			(54)
Less Unamortized Discount			(3)
Add Unamortized Premium			377
<b>Dakota State University</b>			
2004A	2025	3.000%-5.000%	2,265
2007	2029	3.760%	330
2008	2028	3.760%	3,890
Less Deferred Loss on Refunding			(88)
Add Unamortized Premium			75
<b>Black Hills State University</b>			
2004	2023	4.000%	3,175
2004A	2026	3.000%-5.000%	2,445
2006	2026	3.920%	965
2007	2029	3.880%	6,980
Less Deferred Loss on Refunding			(63)
Add Unamortized Premium			70
<b>Total</b>			<b><u>\$236,624</u></b>

As of June 30, 2013, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2014	\$ 8,930	\$ 10,596	\$ 19,526
2015	9,150	10,228	19,378
2016	9,515	9,873	19,388
2017	9,955	9,482	19,437
2018	10,360	9,054	19,414
2019-2023	57,880	37,675	95,555
2024-2028	55,880	24,317	80,197
2029-2033	45,315	12,008	57,323
2034-2038	23,905	2,502	26,407
2039-2043	1,780	72	1,852
<b>Total</b>	<b>\$ 232,670</b>	<b>\$ 125,807</b>	<b>\$ 358,477</b>

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

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

Following is a schedule of bonds outstanding at June 30, 2013 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
<b>Revenue Bonds</b>			
2003	2015	3.500%-5.000%	\$ 1,385
2003A	2028	2.000%-5.000%	680
2005C	2029	3.500%-5.000%	13,855
2006A	2026	4.250%-5.000%	2,025
2007	2032	4.250%-5.000%	41,990
2008	2033	4.000%-5.000%	64,195
2009	2034	2.650%-6.760%	12,050
2010A	2027	.900%-5.650%	9,705
2010B	2035	.900%-6.200%	8,970
2010D	2019	2.250%-3.250%	206
2011	2026	3.000%-4.000%	11,630
2011A	2026	3.000%-4.000%	6,925
2012A	2028	1.500%-5.000%	9,740
Less Deferred Loss on Refunding			(1,239)
Add Unamortized Premium			3,920
<b>Total Revenue Bonds</b>			<b>\$ 186,037</b>

As of June 30, 2013, 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
2014	\$ 8,292	\$ 8,492	\$ 16,784
2015	8,142	8,162	16,304
2016	8,232	7,826	16,058
2017	8,211	7,485	15,696
2018	8,542	7,133	15,675
2019-2023	45,983	29,665	75,648
2024-2028	49,625	18,569	68,194
2029-2033	42,520	7,371	49,891
2034-2038	3,130	264	3,394
<b>Total</b>	<b>\$ 182,677</b>	<b>\$ 94,967</b>	<b>\$277,644</b>

**Capital Leases**

The State has entered into various agreements to lease buildings, vehicles, and equipment. GASB standards require a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

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

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2013 (expressed in thousands):

Fiscal Year Ending June 30	Primary Government	
	Governmental Activities	Component Units
2014	\$ 7,482	\$ 1,651
2015	7,238	1,065
2016	7,016	228
2017	6,875	228
2018	6,666	130
2019-2023	26,176	357
2024-2028	24,233	
2029-2033	23,726	
2034-2038	22,991	
2039-2043	7,520	
Total Minimum Lease Payments	139,923	3,659
Less: Amount Representing Interest	61,241	256
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 78,682</b>	<b>\$ 3,403</b>

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, 2013 are as follows (expressed in thousands):

	Primary Government Governmental Activities
Buildings	\$ 97,667
Equipment	3,800
Vehicles	9,625
Total	111,092
Less: Accumulated Depreciation	22,124
<b>Total, Net</b>	<b>\$ 88,968</b>

**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, 2013, there were 186 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2013 could not be determined; however, the original issue amount totaled \$28,001,607.

As of June 30, 2013, there were 6 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2013 could not be determined; however, the original issue amount totaled \$8,837,500.

As of June 30, 2013, there were 16 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2013 could not be determined; however, the original issue amount totaled \$8,518,775.

As of June 30, 2013, there were 10 Agribusiness Relending Program Loans outstanding. The outstanding loan balance at June 30, 2013 was \$285,543.

As part of the American Recovery and Reinvestment Act, the South Dakota Value Added Finance Authority issued 3 recovery zone bonds in state fiscal year 2011. The outstanding balance at June 30, 2013 could not be determined; however, the original issue amount totaled \$24,750,000.

## ***2. South Dakota Economic Development Finance Authority***

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

As of June 30, 2013, the aggregate amount of stand-alone bond principal outstanding was \$22,572,681. The original issue amount of stand-alone bonds totaled \$30,870,000.

### ***Refunded and Defeased Bonds***

On October 11, 2012 the South Dakota Building Authority (SDBA) issued \$9,740,000 in Revenue Bonds Series 2012A to refund the remaining Series 2003A bonds. The refunding portion with an average interest rate of 3.52 percent was used to refund \$8,950,000 of outstanding Series 2003A bonds with an average interest rate of 4.67 percent. The net proceeds of the refunding portion of \$9,325,334 (after payment of \$147,344 in underwriting fees and other issuance costs plus \$879,783 savings) were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 2003A bonds. As a result, the refunded portion of the Series 2003A bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$375,826. This difference is being charged to operations through fiscal year 2027 using the effective-interest method. The SDBA completed the advanced refunding for a net economic gain of \$27,754. The difference between the cash flows of the refunded bonds and the refunding bonds is a \$38,407 reduction in debt service payments, the actual cash amount realized was \$879,783.

On March 14, 2013, Education Enhancement Funding Corporation (EEFC) issued The Series 2013A and 2013B bonds in an aggregate principal amount of \$169,645,000 with an average interest rate of 3.96 percent to current refund \$54,035,000 and \$129,540,000 of outstanding maturities in the EEFC Series 2002A bonds and Series 2002B bonds, which had interest rates of 6.72 percent and 6.5 percent, respectively. The net proceeds of approximately \$184,870,400, including bond premiums, other sources of funds and after payment of underwriting fees and issuance costs were used to retire \$35,215,000 and \$18,820,000 of outstanding maturities in the Series 2002A bonds on March 29, 2013 and June 1, 2013, respectively, and to retire \$129,540,000 of outstanding maturities in the Series 2002B bonds on March 29, 2013. The current refundings resulted in a difference between the reacquisition prices and the net carrying amount of the old debts of \$5,875,858. This difference is being charged to operations through fiscal year 2018 using the effective-interest method. The EEFC completed the current refunding for a net economic gain of \$108,373,461. The difference between the cash flows of the Series 2002A and Series 2002B refunded bonds and the Series 2013A and Series 2013B refunding bonds is a \$151,270,857 reduction in debt service payments.

In past years the SDBA defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Position. At June 30, 2013 the total amount outstanding in escrowed funds was \$18,935,000.

## **Pollution Remediation Obligations**

The state of South Dakota has pollutions remediation obligation liabilities as of June 30, 2013 of \$13,296,751.

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

The state of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Brohm Mine, the Gilt Edge Superfund Site in Lawrence County. The EPA's current estimate of total cleanup cost is \$158 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site or \$15.8 million. The State has already spent approximately \$6.1 million with a remaining outstanding liability as of June 30, 2013 of \$9.7 million. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.9 million, but will grow with future penalties collected for environmental violations deposited into the fund and interest earned on the cash deposit. After reclamation is completed, and after a holding period by the United States, the State will take control of the site and use the reclamation bond to pay 100% of the ongoing water treatment costs. The State had a cash balance of approximately \$7.8 million from the cash reclamation bond deposited by Brohm and \$8.4 million in a cash settlement as of June 30, 2013. However, actual costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

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

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. This fund and the requirement that the State provide reimbursement was established under SDCL 34A-13. As of June 30, 2013, PRCF was currently involved with 51 active cases, 23 active/monitoring cases, and 5 pending cases (spill report not yet filed), for a total of 79 cases. The estimated cost remaining for sites that have received at least one payment is \$896,750, the estimated cost for sites that haven't received any payments is \$2,100,000 and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2013 for this program is \$3,596,750. The cash balance in the PRCF on June 30, 2013 is \$5,413,466.

## **15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES**

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented in natural classifications. The following table presents those same expenses in functional classifications as of June 30, 2013 as recommended by NACUBO (expressed in thousands):

<b>Function</b>	<b>Personal Services</b>	<b>Travel</b>	<b>Contractual</b>	<b>Supplies &amp; Noncapitalized Equipment</b>	<b>Grants &amp; Subsidies</b>	<b>Interest &amp; Other Expenses</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 165,524	\$ 3,331	\$ 12,672	\$ 9,692	\$ 474	\$	\$ 3,826	\$ 195,519
Research	43,945	2,899	6,721	9,262	11,479	6	4,720	79,032
Public Service	27,709	1,595	7,392	4,283	2,260	3	224	43,466
Academic Support	39,031	1,030	6,042	6,793	796		1,771	55,463
Student Services	30,443	5,828	7,827	5,819	299		843	51,059
Institutional Support	40,267	1,008	17,356	4,561	1,027	651	1,038	65,908
O&M of Plant	16,698	190	12,643	6,619	62	16	26,320	62,548
Scholarships and Fellowships	1,321	12	24	237	23,687	248		25,529
Auxilliary Enterprises	10,992	143	28,253	13,105	186		1,477	54,156
Other						103	1,100	1,203
<b>Total</b>	<b>\$ 375,930</b>	<b>\$ 16,036</b>	<b>\$ 98,930</b>	<b>\$ 60,371</b>	<b>\$ 40,270</b>	<b>\$ 1,027</b>	<b>\$ 41,319</b>	<b>\$ 633,883</b>

## 16. FUND BALANCES AND NET POSITION

### Fund Balance Classifications – Governmental Funds

The following table provides additional detail regarding the fund balances reported on the Governmental Fund Balance Sheet at June 30, 2013 (expressed in thousands):

	General	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Non-Major Special Revenue Funds	Total
<b>Non-Spendable</b>							
Inventory	\$ 2,286	\$ 16,394	\$ 102	\$	\$	\$ 2,378	\$ 21,160
Prepays	1,133	223	73			1,613	3,042
Permanent Fund Principal				238,000	334,013	124,312	696,325
<b>Total Non-Spendable Fund Balances</b>	<u>3,419</u>	<u>16,617</u>	<u>175</u>	<u>238,000</u>	<u>334,013</u>	<u>128,303</u>	<u>720,527</u>
<b>Restricted</b>							
Education					92,586	8,137	100,723
Health and Public Assistance						40,589	40,589
Law, Justice and Public Protection						10,285	10,285
Economic Development	1,018					54,541	55,559
Transportation		117,939					117,939
Agriculture and Natural Resources						89,526	89,526
Energy Conservation or Development						13,615	13,615
Game and Fish						5,646	5,646
Parks and Recreation						2,696	2,696
Public Buildings						404	404
Public Broadcasting						996	996
Railroads						38,145	38,145
Debt Service						38,537	38,537
Capital Projects						111	111
Other				30,843		6,418	37,261
<b>Total Restricted Fund Balances</b>	<u>1,018</u>	<u>117,939</u>	<u>0</u>	<u>30,843</u>	<u>92,586</u>	<u>309,646</u>	<u>552,032</u>
<b>Committed</b>							
Education						285	285
Health and Public Assistance						4,078	4,078
Law, Justice and Public Protection						11,130	11,130
Agriculture and Natural Resources						8,539	8,539
Environmental Cleanup						5,675	5,675
Energy Conservation or Development						3,690	3,690
Public Buildings						2,463	2,463
Railroads						332	332
Other						7,801	7,801
<b>Total Committed Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,993</u>	<u>43,993</u>
<b>Assigned</b>							
Education	75,461					4,395	79,856
Higher Education	3,226						3,226
Health and Public Assistance	23,125		1,666			12,983	37,774
Law, Justice and Public Protection	3,474					19,606	23,080
Agriculture and Natural Resources	911					2,807	3,718
Tourism Promotion	2,565						2,565
Public Buildings	4,142					4,775	8,917
Economic Development	4,861					2,811	7,672
Other	9,107					715	9,822
<b>Total Assigned Fund Balances</b>	<u>126,872</u>	<u>0</u>	<u>1,666</u>	<u>0</u>	<u>0</u>	<u>48,092</u>	<u>176,630</u>
<b>Unassigned Fund Balances *</b>	186,444					(1,462)	184,982
<b>Total Fund Balances</b>	<u>\$ 317,753</u>	<u>\$ 134,556</u>	<u>\$ 1,841</u>	<u>\$ 268,843</u>	<u>\$ 426,599</u>	<u>\$ 528,572</u>	<u>\$ 1,678,164</u>

\* This amount includes \$95,326,000 of equity from the Budget Reserve established by the 1991 South Dakota Legislature as discussed further in the following paragraph.

## ***Budget Reserve Account***

The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. Expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each house of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to South Dakota Constitution, Article III, Section 1. The balance in the budget reserve at June 30, 2013 was \$95,326,000 and is reported as unassigned fund balance within the General Fund.

## ***General Fund***

- ***GASB 54***

With the implementation of GASB 54 in FY11, seven statutorily created accounts no longer qualify as Special Revenue Funds and were required to be combined with the State's General Fund. During FY13, an additional two funds were combined with the State's General Fund. As of June 30, 2013 the following equity balances were included within the State's General Fund in accordance with GASB 54 (expressed in thousands):

<b>Fund Balance - June 30, 2013 as reported</b>	<b>\$ 317,753</b>
<b>Less: Statutorily Created Funds Combined with the General Fund</b>	
Property Tax Reduction - assigned for Education	67,781
Tourism Promotion - assigned for Tourism Promotion	2,565
Investment Council Operating - assigned for Other	805
Private Activity Bond - assigned for Other	74
Teen Court - assigned for Other	105
Proof of Concept - assigned for Economic Resources	500
Tax Relief - unassigned	392
Extraordinary Litigation Expense - unassigned	1,184
Unclaimed Property - unassigned	(18)
<b>Fund Balance - June 30, 2013 excluding GASB 54 combinations</b>	<b><u>\$ 244,365</u></b>

- ***The Immigrant Investor Program (EB-5 Program)***

In evaluating the contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account and the SDRC Expense Fund Account should be reported in the State's General Fund. As of June 30, 2013 the following equity balances were included within the State's General Fund in (expressed in thousands):

<b>Fund Balance - June 30, 2013 excluding GASB 54 combinations</b>	<b>\$ 244,365</b>
<b>Less: SDRC Funds Combined with the General Fund</b>	
SDRC Indemnification Fund One Account - restricted for Economic Resources	990
SDRC Expense Fund Account - restricted for Economic Resources	28
<b>Fund Balance - June 30, 2013 excluding all combinations</b>	<b><u>\$ 243,347</u></b>

## ***Net Position Restricted by Enabling Legislation***

The government-wide Statement of Net Position reports \$1.24 billion of restricted net position for the primary government of which \$181.8 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.



## ***Funds Held as Permanent Investments***

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in Special Revenue Funds for this purpose have their principal balance classified as nonspendable in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide Statement of Net Position the principal balance is shown as nonexpendable and the investment earnings remaining in these funds at June 30, 2013 is shown as expendable.

- ***Dakota Cement Trust Fund.*** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions."
- ***Education Enhancement Trust Fund.*** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The Fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature."
- ***Health Care Trust Fund.*** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature."
- ***Permanent Fund.*** This fund is administered by the Office of School and Public Lands and accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

These balances at June 30, 2013 are summarized as follows (expressed in thousands):

<b>Fund</b>	<b>Expendable</b>	<b>Nonexpendable</b>	<b>Total Restriction</b>
Dakota Cement Trust	\$ 30,843	\$ 238,000	\$ 268,843
Education Enhancement Trust	92,586	334,013	426,599
Health Care Trust	31,516	85,631	117,147
Permanent	851	38,681	39,532
<b>Total</b>	<b>\$ 155,796</b>	<b>\$ 696,325</b>	<b>\$ 852,121</b>

## ***Individual Fund Deficits***

The following individual funds had deficit fund equity at June 30, 2013 (expressed in thousands):

<b>Fund Type/Fund</b>	<b>Deficit</b>
Internal Service:	
State Worker's Compensation	\$ 17,312
Insurance Administration	4,353
Special Revenue:	
Law Enforcement Revolving	672
Public Utilities Commission Federal	117

## **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 2013, the State provided \$19,603,000 in General Fund state aid payments to the technical institutes.

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

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

## **18. RELATED PARTY TRANSACTIONS**

The Sanford Research/University of South Dakota (USD) was created by the Sioux Valley (Sanford) Health Care Systems and the USD School of Medicine to facilitate medical research and technology transfer. USD is a part of Higher Education and is a component unit of the State of South Dakota. The University of South Dakota subcontracted research awards totaling \$1,083,498 to Sanford Research/USD. The research conducted included areas of profiling breast cancer markers, developing immune adjuvant to improve the cure for HPV, reviewing the mechanisms of seasonal phenotypic flexibility in passerine birds, and the Center for Health Research with Tribes in SD/MT/WY. The funding sources were the National Science Foundation for \$27,114; the National Institutes of Health for \$973,070; South Dakota Governor's Research and Commercialization Council for \$78,793; and the remaining was funded from other revenues.

South Dakota Railroad Board has a loan program which enables Regional Railroad Authority's and Industries to rehab or build new rail lines. In December 2012, Brookings County Regional Railroad Authority and South Dakota Soybean Processors, LLC was approved for a loan in the amount of \$964,070 to expand existing industrial siding at the facility site located near Volga, South Dakota. Sheldon Cotton was contracted consultant for South Dakota Soybean Processors, LLC and also serves on the Railroad Board. Sheldon Cotton recused himself from the discussion and vote.

The South Dakota Development Corporation (SDDC) is a South Dakota non-profit corporation and a Certified Development Company created for the purpose of administering the U.S. Small Business Administration's (SBA) 503/504 loan programs and the Microloan Program. The Microloan Program was formed as a partnership between Citibank (South Dakota) N.A., the SDDC and the GOED. Citibank is no longer a part of this partnership. GOED has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. GOED provides these services out of GOED funds. GOED grants are provided to SDDC to be used for loans to businesses in South Dakota. The purpose of the SBA's 503/504 loan program and the Microloan program, is to help facilitate economic development and the creation of jobs in South Dakota. These loans are used to assist companies either operating in the state or moving to the State. Businesses use the loan funds to expand their operations, improve their facilities, or set up operations in South Dakota. The 503/504 loans awarded during FY2013 were \$4,698,000. Funding for these loans came from the SBA. In addition, the SDDC has loaned out \$500,911 for the Microloan Program loans as of June 30, 2013. The GOED has disbursed grants in the amount of \$2,060,000 from the Employer's Investment in South Dakota's Future Fund to the SDDC in FY2013. The SDDC returned \$50,000 in unused grants to the Employer's Investment in South Dakota's Future Fund in FY2013. In FY2012 the GOED made a \$2,000,000 grant to the SDDC to be used by the SDDC to provide assistance to the Northern Beef Packers, L.P. in the form of a loan. Upon repayment of the loan to SDDC, which has occurred, the grant stipulates that the SDDC shall hold the proceeds in trust for GOED to be utilized for future economic development purposes as directed by GOED.

## **19. CONTINGENCIES AND LITIGATION**

The State of South Dakota is party to numerous legal proceedings, many of which occur in the normal course of governmental operation. Adverse judgment of these lawsuits could negatively impact the State's financial statements. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the State. The contingencies at June 30, 2013 are as follows:

**Citibank, N.A., v. South Dakota Department of Revenue.** Banks and financial institutions are subject to South Dakota's Income Tax on Banks and Financial Corporations as outlined in SDCL ch. 10-43. In 2012, the Department of Revenue received claims for refund of bank franchise tax in the aggregate amount of \$29,944,132. The Department of Revenue reviewed and denied the requests for refund. In March of 2013 the Office of Hearing Examiners entered its Findings of Fact, Conclusions of Law and Final Order granting the Department's motion to dismiss. Citibank appealed the Decision and the Second Judicial Circuit Court heard oral argument on November 18, 2013. On November 22, 2013 the Judge entered a Memorandum Decision which affirmed the Hearing Examiner's decision to dismiss Citibank's refund request for lack of jurisdiction. On January 9, 2014, Citibank, N.A. filed a Notice of Appeal, appealing the matter to the South Dakota Supreme Court. The Department of Revenue intends to continue to vigorously assert the correctness of the denial of the request for refund. If the Department is unsuccessful in defending against the refund action of Citibank, N.A. the state may be required to also pay interest on the refund pursuant to SDCL 10-43-55 at a fixed rate of six percent per year. The Department's counsel is not in a position to offer an opinion at this time as to the risk of an unfavorable outcome, which could have a material impact on the State's General Fund.

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

**Northern Border Pipeline Company v. South Dakota Department of Revenue.** The Department conducted an audit of Northern Border Pipeline Company. On September 6, 2011, the Department issued a Certificate of Assessment against Northern Border Pipeline in the amount of \$5,760,120.25, consisting of \$4,160,756.59 of tax and \$1,599,374.66 of interest. On November 3, 2011, Northern Border Pipeline requested an administrative hearing contesting the assessment stating the Department made mistakes of fact or errors of law in issuing the assessment. The Department received a favorable proposed decision from the Office of Hearing Examiners and the Secretary of the Department of Revenue entered a Final Decision on September 12, 2013. Northern Border Pipeline Company appealed the Secretary's Final Decision to the Sixth Judicial Circuit Court, Hughes County, on October 10, 2013. The Department intends to continue to assert that the certificate of assessment issued is correct. If the Department is successful, the State will benefit in the amount of the certificate and accrued interest. However, due to the nature of the litigation counsel is not in a position to give any opinion at this time as to the risk of a favorable or unfavorable outcome regarding this matter. If the decision is unfavorable, it could have a material impact on the State's General Fund.

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

**South Dakota Department of Transportation Workers Compensation Claim.** On November 16, 2011, an employee of the South Dakota Department of Transportation was involved in a car accident. The employee was on the way back from a work trip to Yankton. The car accident occurred in an area where the employee would not have been expected or required to travel for their employment on that day. The claim for workers' compensation benefits was denied on the basis the car accident occurred outside the scope of employment with South Dakota Department of Transportation. The claimant's attorney filed a Petition for medical and indemnity/disability benefits. The Workers' Compensation Program plans to contest the responsibility and liability and defend vigorously on the basis the car accident did not arise out of and in the course of

employment. The Present Value of indemnity/disability benefits is \$466,793.95. An estimate of the medical expenses will exceed \$1,000,000. On June 19, 2013, the South Dakota Department of Labor and Regulation ruled the injury arose out of and in the course of employment. The Workers' Compensation Office appealed to Circuit Court in Hughes County. If the decision is unfavorable, it could have a material impact on the State Employee Workers' Compensation Fund.

**Hall et al v. State of South Dakota.** The case was filed in Pennington County Circuit Court On August 1, 2001 on the issue of whether the State had taken or damaged the Plaintiffs' property. The case involved two appeals to the South Dakota Supreme Court. In the second appeal, the Supreme Court determined a compensable taking had occurred when South Dakota Department of Transportation eliminated an interstate exchange abutting the Plaintiffs' property. After an appraisal of the property by the Department of Transportation, just compensation for the damaging of the Plaintiffs' property was estimated to be \$3,050,000. On December 31, 2013 the Department of Transportation made an offer to settle at that amount plus interest from the date of the taking to the date of the settlement. If accepted, the settlement will be paid out of the Highway Fund.

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

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

### ***Board of Regents***

On January 9, 2014, the South Dakota Board of Regents issued \$39,905,000 of Housing and Auxiliary Facilities System Revenue Bonds, 2014A. The bonds were issued to (i) pay the costs of financing the acquisition of, improvements to, or remodeling or renovation of, student housing and/or recreational facilities for Black Hills State University, South Dakota School of Mines & Technology, and South Dakota State University; (ii) provide funds for the current refunding of the South Dakota Board of Regents Black Hills State University Housing and Auxiliary Facilities Revenue Bonds, Series 2004, and certain of the South Dakota Board of Regents South Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 2004; (iii) fund the interest costs on a portion of the Series 2014A Bonds through October 1, 2014; and (iv) pay certain expenses incident to the issuance of the Series 2014A Bonds.

### ***Building Authority***

The South Dakota Building Authority, on November 26, 2013 issued \$67,340,000 Revenue Bonds, Series 2013B (Tax-Exempt), \$10,000,000 Revenue Bonds, Series 2013C (Taxable) and \$4,500,000 Revenue Bonds, Series 2013D (Taxable). The Series 2013B bonds were used to finance infrastructure upgrades and improvements on various campuses, BHSU Jonas Science Center renovation, NSU Johnson Fine Arts Center renovation and addition, SDSU headhouse/greenhouse, SDSU Architecture, Math and Science building, SDSU Cow/Calf Research facility, USD Science, Health and Research Lab building, USD Patterson Hall renovation, and USD Sports Complex. The Series 2013C bonds were used to finance the USD Sports Complex. The Series 2013D bonds were used to finance the Department of Game, Fish and Parks Angostura Recreation Area Waste Water System and the Cedar Shores Recreation Area Stabilization Project.

### ***South Dakota Housing Development Authority***

On November 6, 2013 the SDHDA Board of Commissioners authorized the issuance of Homeownership Mortgage Bonds, 2013 Series E and 2013 Series F in an aggregate principal amount not to exceed \$100,000,000. On November 25, 2013, the Authority issued \$22,335,000 of Homeownership Mortgage Bonds 2013 Series E and \$27,015,000 of Homeownership Mortgage Bonds 2013 Series F. The bonds will mature May 1, 2014 through November 1, 2044.

## ***Governor's Office of Economic Development***

A contract between GOED (formerly the Department of Tourism and State Development) and SDRC dated December 22, 2009 was created to stimulate the economy through job creation and capital investment by foreign investors in order to obtain a green card through the United States Citizenship and Immigration Service (USCIS). An indemnification account was created through the contract with SDRC to protect against and cover legal or litigation cost for itself and the State of South Dakota. The balance in the EB-5 Indemnification Fund One account at June 30, 2013 was \$989,946. Additionally, the contract required the SDRC Inc. to purchase professional liability insurance with the GOED named as an insured party and to fund a separate indemnification fund, named Indemnification Fund Two. The limits of the liability coverage are to be not less than \$3,000,000 per occurrence and are to cover SDRC's obligations to indemnify the GOED.

Notice was given by GOED on September 19, 2013 terminating the Amended and Restated Consulting Contract between SDRC and GOED (formerly the Department of Tourism and State Development) dated December 22, 2009, for cause, effective immediately. A demand was made, pursuant to paragraph 8 of the Contract, to turn over to GOED, payable to the South Dakota State Treasurer, the balance of the Expense Fund (as defined and described in the Contract). On January 30, 2014 the balance was deposited into the State General Fund.

On January 14 and 16, 2014 respectively, the funding commitments for the Revolving Economic Development and Initiative Fund and the Economic Development Finance Authority were reduced by \$5,000,000 each.

## ***Economic Development Finance Authority***

On November 12, 2013 the Finance authority issued taxable bonds in the amount of \$10,000,000. These are to fund the loan for Marmen Energy Co.

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

On July 26, 2013 Bonds were issued in the amount of \$106,715 for Livestock Nutrient Management Bond Program, and on July 19, 2013 bonds were issued in the amount of \$500,000 for Agribusiness Bond Program.

## ***Revolving Economic Development & Initiative Fund***

During the 2013 Legislative Session the legislature transferred the Value Added Agriculture Subfund (VASF) program to the South Dakota Department of Agriculture. The transfer was conducted on July 1, 2013.

## ***Cement Plant Retirement Fund***

On July 1, 2013, \$2,000,000 was transferred from the General Fund to the Cement Plant Retirement Fund per House Bill 1185 of the 2013 Legislative Session.

# ***21. SPECIAL ITEM***

## ***South Dakota Lottery***

In September 2012, the South Dakota Lottery received 600 new jackpot signs. The signs were obtained at no cost to the Lottery but were part of a 5 year contract extension with the on-line system vendor, GTECH Corporation.



## **REQUIRED SUPPLEMENTARY INFORMATION**

***The “Required Supplementary Information” includes the Budgetary Reporting and Other Postemployment Benefits 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***

***Information about the State of South Dakota’s Other Postemployment Benefits***

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OFFICE OF THE GOVERNOR</b>				
Personal Services	\$ 1,698	\$ 1,713	\$ 1,713	\$ 0
Operating Expenses	381	398	398	0
<b>TOTAL</b>	<b>2,079</b>	<b>2,111</b>	<b>2,111</b>	<b>0</b>
<b>GOVERNOR'S CONTINGENCY FUND</b>				
Personal Services	0	0	0	0
Operating Expenses	75	75	47	28
<b>TOTAL</b>	<b>75</b>	<b>75</b>	<b>47</b>	<b>28</b>
<b>GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT</b>				
Personal Services	1,779	1,796	1,796	0
Operating Expenses	6,045	6,054	5,804	250
<b>TOTAL</b>	<b>7,824</b>	<b>7,850</b>	<b>7,600</b>	<b>250</b>
<b>OFFICE OF RESEARCH COMMERCE</b>				
Personal Services	161	163	163	0
Operating Expenses	3,690	3,690	3,690	0
<b>TOTAL</b>	<b>3,851</b>	<b>3,853</b>	<b>3,853</b>	<b>0</b>
<b>LIEUTENANT GOVERNOR</b>				
Personal Services	20	20	20	0
Operating Expenses	13	13	13	0
<b>TOTAL</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>0</b>
<b>BUILDING SOUTH DAKOTA FUND</b>				
Personal Services	0	0	0	0
Operating Expenses	0	7,000	7,000	0
<b>TOTAL</b>	<b>0</b>	<b>7,000</b>	<b>7,000</b>	<b>0</b>
<b>BUREAU OF FINANCE AND MANAGEMENT</b>				
Personal Services	566	576	568	8
Operating Expenses	247	3,249	3,249	0
<b>TOTAL</b>	<b>813</b>	<b>3,825</b>	<b>3,817</b>	<b>8</b>
<b>SALE LEASEBACK, B.F.M.</b>				
Personal Services	0	0	0	0
Operating Expenses	6,023	6,023	6,023	0
<b>TOTAL</b>	<b>6,023</b>	<b>6,023</b>	<b>6,023</b>	<b>0</b>
<b>ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION</b>				
Personal Services	0	0	0	0
Operating Expenses	731	731	651	80
<b>TOTAL</b>	<b>731</b>	<b>731</b>	<b>651</b>	<b>80</b>
<b>SALE LEASEBACK, B.O.A.</b>				
Personal Services	0	0	0	0
Operating Expenses	443	443	443	0
<b>TOTAL</b>	<b>443</b>	<b>443</b>	<b>443</b>	<b>0</b>
<b>CENTRAL SERVICES</b>				
Personal Services	161	168	168	0
Operating Expenses	208	208	208	0
<b>TOTAL</b>	<b>369</b>	<b>376</b>	<b>376</b>	<b>0</b>



**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>STATEWIDE MAINTENANCE &amp; REPAIR</b>				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	7,044	14,351	4,859	9,492
<b>TOTAL</b>	<b>7,044</b>	<b>14,351</b>	<b>4,859</b>	<b>9,492</b>
<b>OFFICE OF HEARING EXAMINERS</b>				
Personal Services	223	229	216	13
Operating Expenses	66	71	71	0
<b>TOTAL</b>	<b>289</b>	<b>300</b>	<b>287</b>	<b>13</b>
<b>SOUTH DAKOTA PUBLIC BROADCASTING</b>				
Personal Services	2,365	2,425	2,425	0
Operating Expenses	1,217	1,220	1,220	0
<b>TOTAL</b>	<b>3,582</b>	<b>3,645</b>	<b>3,645</b>	<b>0</b>
<b>STATE RADIO ENGINEERING</b>				
Personal Services	592	602	602	0
Operating Expenses	2,129	2,134	2,134	0
<b>TOTAL</b>	<b>2,721</b>	<b>2,736</b>	<b>2,736</b>	<b>0</b>
<b>PERSONNEL MANAGEMENT &amp; EMPLOYEE BENEFITS</b>				
Personal Services	184	190	190	0
Operating Expenses	55	59	59	0
<b>TOTAL</b>	<b>239</b>	<b>249</b>	<b>249</b>	<b>0</b>
<b>SOUTH DAKOTA RISK POOL</b>				
Personal Services	0	2	2	0
Operating Expenses	643	643	643	0
<b>TOTAL</b>	<b>643</b>	<b>645</b>	<b>645</b>	<b>0</b>
<b>DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT</b>				
Personal Services	7,749	7,884	7,863	21
Operating Expenses	29,010	46,362	36,512	9,850
<b>TOTAL</b>	<b>36,759</b>	<b>54,246</b>	<b>44,375</b>	<b>9,871</b>
<b>PROPERTY AND SPECIAL TAXES</b>				
Personal Services	813	836	810	26
Operating Expenses	900	1,356	702	654
<b>TOTAL</b>	<b>1,713</b>	<b>2,192</b>	<b>1,512</b>	<b>680</b>
<b>DEPARTMENT TOTAL, REVENUE</b>				
Personal Services	813	836	810	26
Operating Expenses	900	1,356	702	654
<b>TOTAL</b>	<b>1,713</b>	<b>2,192</b>	<b>1,512</b>	<b>680</b>
<b>ADMINISTRATION, SECRETARY OF AGRICULTURE</b>				
Personal Services	593	584	584	0
Operating Expenses	179	191	191	0
<b>TOTAL</b>	<b>772</b>	<b>775</b>	<b>775</b>	<b>0</b>
<b>AGRICULTURAL SERVICES &amp; ASSISTANCE</b>				
Personal Services	1,173	1,146	1,146	0
Operating Expenses	535	4,864	4,864	0
<b>TOTAL</b>	<b>1,708</b>	<b>6,010</b>	<b>6,010</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>AGRICULTURAL DEVELOPMENT &amp; PROMOTION</b>				
Personal Services	\$ 779	\$ 872	\$ 872	\$ 0
Operating Expenses	736	3,227	2,361	866
<b>TOTAL</b>	<b>1,515</b>	<b>4,099</b>	<b>3,233</b>	<b>866</b>
<b>ANIMAL INDUSTRY BOARD</b>				
Personal Services	1,515	1,430	1,430	0
Operating Expenses	298	298	298	0
<b>TOTAL</b>	<b>1,813</b>	<b>1,728</b>	<b>1,728</b>	<b>0</b>
<b>STATE FAIR</b>				
Personal Services	0	0	0	0
Operating Expenses	269	269	269	0
<b>TOTAL</b>	<b>269</b>	<b>269</b>	<b>269</b>	<b>0</b>
<b>DEPARTMENT TOTAL, AGRICULTURE</b>				
Personal Services	4,060	4,032	4,032	0
Operating Expenses	2,017	8,849	7,983	866
<b>TOTAL</b>	<b>6,077</b>	<b>12,881</b>	<b>12,015</b>	<b>866</b>
<b>HISTORY</b>				
Personal Services	819	843	843	0
Operating Expenses	912	986	986	0
<b>TOTAL</b>	<b>1,731</b>	<b>1,829</b>	<b>1,829</b>	<b>0</b>
<b>DEPARTMENT TOTAL, TOURISM</b>				
Personal Services	819	843	843	0
Operating Expenses	912	986	986	0
<b>TOTAL</b>	<b>1,731</b>	<b>1,829</b>	<b>1,829</b>	<b>0</b>
<b>ADMINISTRATION, SECRETARY OF GAME, FISH &amp; PARKS</b>				
Personal Services	90	105	105	0
Operating Expenses	826	826	826	0
<b>TOTAL</b>	<b>916</b>	<b>931</b>	<b>931</b>	<b>0</b>
<b>STATE PARKS &amp; RECREATION</b>				
Personal Services	2,270	2,316	2,316	0
Operating Expenses	1,153	1,153	1,153	0
<b>TOTAL</b>	<b>3,423</b>	<b>3,469</b>	<b>3,469</b>	<b>0</b>
<b>DEPARTMENT TOTAL, GAME, FISH &amp; PARKS</b>				
Personal Services	2,360	2,421	2,421	0
Operating Expenses	1,979	1,979	1,979	0
<b>TOTAL</b>	<b>4,339</b>	<b>4,400</b>	<b>4,400</b>	<b>0</b>
<b>OFFICE OF TRIBAL RELATIONS</b>				
Personal Services	311	318	276	42
Operating Expenses	52	52	52	0
<b>TOTAL</b>	<b>363</b>	<b>370</b>	<b>328</b>	<b>42</b>
<b>DEPARTMENT TOTAL, TRIBAL RELATIONS</b>				
Personal Services	311	318	276	42
Operating Expenses	52	52	52	0
<b>TOTAL</b>	<b>363</b>	<b>370</b>	<b>328</b>	<b>42</b>

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>ADMINISTRATION, SECRETARY OF SOCIAL SERVICES</b>				
Personal Services	\$ 3,750	\$ 3,872	\$ 3,872	\$ 0
Operating Expenses	3,928	4,220	4,220	0
<b>TOTAL</b>	<b>7,678</b>	<b>8,092</b>	<b>8,092</b>	<b>0</b>
<b>ECONOMIC ASSISTANCE</b>				
Personal Services	6,865	7,092	7,092	0
Operating Expenses	15,315	18,043	17,512	531
<b>TOTAL</b>	<b>22,180</b>	<b>25,135</b>	<b>24,604</b>	<b>531</b>
<b>MEDICAL AND ADULT SERVICES</b>				
Personal Services	2,662	2,729	2,729	0
Operating Expenses	288,790	279,274	269,512	9,762
<b>TOTAL</b>	<b>291,452</b>	<b>282,003</b>	<b>272,241</b>	<b>9,762</b>
<b>CHILDREN'S SERVICES</b>				
Personal Services	9,119	9,336	9,336	0
Operating Expenses	26,163	30,927	30,927	0
<b>TOTAL</b>	<b>35,282</b>	<b>40,263</b>	<b>40,263</b>	<b>0</b>
<b>BEHAVIORAL HEALTH</b>				
Personal Services	24,794	25,555	25,555	0
Operating Expenses	34,755	35,445	35,445	0
<b>TOTAL</b>	<b>59,549</b>	<b>61,000</b>	<b>61,000</b>	<b>0</b>
<b>DEPARTMENT TOTAL, SOCIAL SERVICES</b>				
Personal Services	47,190	48,584	48,584	0
Operating Expenses	368,951	367,909	357,616	10,293
<b>TOTAL</b>	<b>416,141</b>	<b>416,493</b>	<b>406,200</b>	<b>10,293</b>
<b>ADMINISTRATION, SECRETARY OF HEALTH</b>				
Personal Services	623	639	639	0
Operating Expenses	584	587	587	0
<b>TOTAL</b>	<b>1,207</b>	<b>1,226</b>	<b>1,226</b>	<b>0</b>
<b>HEALTH SYSTEMS DEVELOPMENT AND REGULATION</b>				
Personal Services	1,409	1,388	1,388	0
Operating Expenses	1,041	1,102	1,102	0
<b>TOTAL</b>	<b>2,450</b>	<b>2,490</b>	<b>2,490</b>	<b>0</b>
<b>HEALTH AND MEDICAL SERVICES</b>				
Personal Services	1,666	1,712	1,712	0
Operating Expenses	2,829	2,833	2,818	15
<b>TOTAL</b>	<b>4,495</b>	<b>4,545</b>	<b>4,530</b>	<b>15</b>
<b>DEPARTMENT TOTAL, HEALTH</b>				
Personal Services	3,698	3,739	3,739	0
Operating Expenses	4,454	4,522	4,507	15
<b>TOTAL</b>	<b>8,152</b>	<b>8,261</b>	<b>8,246</b>	<b>15</b>
<b>ADMINISTRATION, SECRETARY OF LABOR</b>				
Personal Services	0	0	0	0
Operating Expenses	472	472	472	0
<b>TOTAL</b>	<b>472</b>	<b>472</b>	<b>472</b>	<b>0</b>

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>STATE LABOR LAW ADMINISTRATION</b>				
Personal Services	\$ 525	\$ 541	\$ 541	\$ 0
Operating Expenses	88	91	91	0
<b>TOTAL</b>	<b>613</b>	<b>632</b>	<b>632</b>	<b>0</b>
<b>DEPARTMENT TOTAL, LABOR &amp; REGULATION</b>				
Personal Services	525	541	541	0
Operating Expenses	560	563	563	0
<b>TOTAL</b>	<b>1,085</b>	<b>1,104</b>	<b>1,104</b>	<b>0</b>
<b>GENERAL OPERATIONS</b>				
Personal Services	459	474	474	0
Operating Expenses	26	21	21	0
<b>TOTAL</b>	<b>485</b>	<b>495</b>	<b>495</b>	<b>0</b>
<b>DEPARTMENT TOTAL, TRANSPORTATION</b>				
Personal Services	459	474	474	0
Operating Expenses	26	21	21	0
<b>TOTAL</b>	<b>485</b>	<b>495</b>	<b>495</b>	<b>0</b>
<b>ADMINISTRATION, SECRETARY OF EDUCATION</b>				
Personal Services	1,247	1,372	1,372	0
Operating Expenses	443	815	815	0
<b>TOTAL</b>	<b>1,690</b>	<b>2,187</b>	<b>2,187</b>	<b>0</b>
<b>STATE AID TO GENERAL EDUCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	318,875	326,000	326,000	0
<b>TOTAL</b>	<b>318,875</b>	<b>326,000</b>	<b>326,000</b>	<b>0</b>
<b>STATE AID TO SPECIAL EDUCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	50,030	51,849	51,849	0
<b>TOTAL</b>	<b>50,030</b>	<b>51,849</b>	<b>51,849</b>	<b>0</b>
<b>SPARSITY PAYMENTS</b>				
Personal Services	0	0	0	0
Operating Expenses	1,820	1,832	1,832	0
<b>TOTAL</b>	<b>1,820</b>	<b>1,832</b>	<b>1,832</b>	<b>0</b>
<b>CONSOLIDATION INCENTIVES</b>				
Personal Services	0	0	0	0
Operating Expenses	134	134	134	0
<b>TOTAL</b>	<b>134</b>	<b>134</b>	<b>134</b>	<b>0</b>
<b>TECHNOLOGY IN SCHOOLS</b>				
Personal Services	0	0	0	0
Operating Expenses	6,300	6,313	6,313	0
<b>TOTAL</b>	<b>6,300</b>	<b>6,313</b>	<b>6,313</b>	<b>0</b>
<b>POST-SECONDARY VOCATIONAL EDUCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	21,811	21,253	21,253	0
<b>TOTAL</b>	<b>21,811</b>	<b>21,253</b>	<b>21,253</b>	<b>0</b>

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>NON-RECURRING POST-SECONDARY FORMULA</b>				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	0	200	200	0
<b>TOTAL</b>	<b>0</b>	<b>200</b>	<b>200</b>	<b>0</b>
<b>EDUCATION RESOURCES</b>				
Personal Services	1,290	1,281	1,281	0
Operating Expenses	14,361	14,711	8,689	6,022
<b>TOTAL</b>	<b>15,651</b>	<b>15,992</b>	<b>9,970</b>	<b>6,022</b>
<b>STATE LIBRARY</b>				
Personal Services	1,103	1,089	1,089	0
Operating Expenses	564	514	514	0
<b>TOTAL</b>	<b>1,667</b>	<b>1,603</b>	<b>1,603</b>	<b>0</b>
<b>DEPARTMENT TOTAL, EDUCATION</b>				
Personal Services	3,640	3,742	3,742	0
Operating Expenses	414,338	423,621	417,599	6,022
<b>TOTAL</b>	<b>417,978</b>	<b>427,363</b>	<b>421,341</b>	<b>6,022</b>
<b>ADMINISTRATION, SECRETARY OF PUBLIC SAFETY</b>				
Personal Services	109	110	110	0
Operating Expenses	13	13	13	0
<b>TOTAL</b>	<b>122</b>	<b>123</b>	<b>123</b>	<b>0</b>
<b>HIGHWAY PATROL</b>				
Personal Services	1,106	1,008	961	47
Operating Expenses	125	126	126	0
<b>TOTAL</b>	<b>1,231</b>	<b>1,134</b>	<b>1,087</b>	<b>47</b>
<b>EMERGENCY SERVICES &amp; HOMELAND SECURITY</b>				
Personal Services	1,071	1,133	1,133	0
Operating Expenses	2,808	2,889	2,888	1
<b>TOTAL</b>	<b>3,879</b>	<b>4,022</b>	<b>4,021</b>	<b>1</b>
<b>INSPECTION AND LICENSING</b>				
Personal Services	59	70	68	2
Operating Expenses	538	550	550	0
<b>TOTAL</b>	<b>597</b>	<b>620</b>	<b>618</b>	<b>2</b>
<b>DEPARTMENT TOTAL, PUBLIC SAFETY</b>				
Personal Services	2,345	2,321	2,272	49
Operating Expenses	3,484	3,578	3,577	1
<b>TOTAL</b>	<b>5,829</b>	<b>5,899</b>	<b>5,849</b>	<b>50</b>
<b>REGENTS CENTRAL OFFICE</b>				
Personal Services	3,700	3,741	3,741	0
Operating Expenses	14,276	11,371	9,877	1,494
<b>TOTAL</b>	<b>17,976</b>	<b>15,112</b>	<b>13,618</b>	<b>1,494</b>
<b>SOUTH DAKOTA SCHOLARSHIPS</b>				
Personal Services	0	0	0	0
Operating Expenses	4,318	4,318	4,318	0
<b>TOTAL</b>	<b>4,318</b>	<b>4,318</b>	<b>4,318</b>	<b>0</b>

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>UNIVERSITY OF SOUTH DAKOTA PROPER</b>				
Personal Services	\$ 28,011	\$ 29,055	\$ 29,055	\$ 0
Operating Expenses	2,980	2,980	2,980	0
<b>TOTAL</b>	<b>30,991</b>	<b>32,035</b>	<b>32,035</b>	<b>0</b>
<b>UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE</b>				
Personal Services	16,217	16,430	16,430	0
Operating Expenses	2,436	2,463	2,463	0
<b>TOTAL</b>	<b>18,653</b>	<b>18,893</b>	<b>18,893</b>	<b>0</b>
<b>SOUTH DAKOTA STATE UNIVERSITY PROPER</b>				
Personal Services	34,672	36,242	36,242	0
Operating Expenses	5,298	5,371	5,371	0
<b>TOTAL</b>	<b>39,970</b>	<b>41,613</b>	<b>41,613</b>	<b>0</b>
<b>COOPERATIVE EXTENSION SERVICE</b>				
Personal Services	7,326	7,443	7,443	0
Operating Expenses	329	329	329	0
<b>TOTAL</b>	<b>7,655</b>	<b>7,772</b>	<b>7,772</b>	<b>0</b>
<b>AGRICULTURAL EXPERIMENT STATION</b>				
Personal Services	9,584	9,485	9,485	0
Operating Expenses	314	539	539	0
<b>TOTAL</b>	<b>9,898</b>	<b>10,024</b>	<b>10,024</b>	<b>0</b>
<b>AGRICULTURAL EXPERIMENT STATION</b>				
Personal Services	0	0	0	0
Operating Expenses	0	500	500	0
<b>TOTAL</b>	<b>0</b>	<b>500</b>	<b>500</b>	<b>0</b>
<b>SOUTH DAKOTA SCHOOL OF MINES &amp; TECHNOLOGY</b>				
Personal Services	13,165	13,535	13,535	0
Operating Expenses	977	977	977	0
<b>TOTAL</b>	<b>14,142</b>	<b>14,512</b>	<b>14,512</b>	<b>0</b>
<b>NORTHERN STATE UNIVERSITY</b>				
Personal Services	10,629	10,981	10,981	0
Operating Expenses	1,005	1,005	1,005	0
<b>TOTAL</b>	<b>11,634</b>	<b>11,986</b>	<b>11,986</b>	<b>0</b>
<b>BLACK HILLS STATE UNIVERSITY</b>				
Personal Services	7,274	7,642	7,604	38
Operating Expenses	796	796	726	70
<b>TOTAL</b>	<b>8,070</b>	<b>8,438</b>	<b>8,330</b>	<b>108</b>
<b>DAKOTA STATE UNIVERSITY</b>				
Personal Services	7,962	9,087	8,257	830
Operating Expenses	608	678	608	70
<b>TOTAL</b>	<b>8,570</b>	<b>9,765</b>	<b>8,865</b>	<b>900</b>
<b>SOUTH DAKOTA SCHOOL FOR THE DEAF</b>				
Personal Services	1,457	1,501	1,501	0
Operating Expenses	1,136	1,112	1,112	0
<b>TOTAL</b>	<b>2,593</b>	<b>2,613</b>	<b>2,613</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED</b>				
Personal Services	\$ 2,363	\$ 2,417	\$ 2,417	\$ 0
Operating Expenses	220	220	220	0
<b>TOTAL</b>	<b>2,583</b>	<b>2,637</b>	<b>2,637</b>	<b>0</b>
<b>DEPARTMENT TOTAL, BOARD OF REGENTS</b>				
Personal Services	142,360	147,559	146,691	868
Operating Expenses	34,693	32,659	31,025	1,634
<b>TOTAL</b>	<b>177,053</b>	<b>180,218</b>	<b>177,716</b>	<b>2,502</b>
<b>ADJUTANT GENERAL</b>				
Personal Services	425	434	433	1
Operating Expenses	459	447	447	0
<b>TOTAL</b>	<b>884</b>	<b>881</b>	<b>880</b>	<b>1</b>
<b>ARMY GUARD</b>				
Personal Services	274	286	286	0
Operating Expenses	1,964	2,310	1,731	579
<b>TOTAL</b>	<b>2,238</b>	<b>2,596</b>	<b>2,017</b>	<b>579</b>
<b>AIR GUARD</b>				
Personal Services	166	172	168	4
Operating Expenses	205	229	229	0
<b>TOTAL</b>	<b>371</b>	<b>401</b>	<b>397</b>	<b>4</b>
<b>DEPARTMENT TOTAL, MILITARY</b>				
Personal Services	865	892	887	5
Operating Expenses	2,628	2,986	2,407	579
<b>TOTAL</b>	<b>3,493</b>	<b>3,878</b>	<b>3,294</b>	<b>584</b>
<b>VETERANS' BENEFITS AND SERVICES</b>				
Personal Services	856	882	868	14
Operating Expenses	1,349	1,952	981	971
<b>TOTAL</b>	<b>2,205</b>	<b>2,834</b>	<b>1,849</b>	<b>985</b>
<b>STATE VETERANS' HOME</b>				
Personal Services	1,503	1,551	1,551	0
Operating Expenses	678	679	679	0
<b>TOTAL</b>	<b>2,181</b>	<b>2,230</b>	<b>2,230</b>	<b>0</b>
<b>DEPARTMENT TOTAL, VETERANS' AFFAIRS</b>				
Personal Services	2,359	2,433	2,419	14
Operating Expenses	2,027	2,631	1,660	971
<b>TOTAL</b>	<b>4,386</b>	<b>5,064</b>	<b>4,079</b>	<b>985</b>
<b>ADMINISTRATION, CENTRAL OFFICE</b>				
Personal Services	1,360	1,445	1,445	0
Operating Expenses	410	709	708	1
<b>TOTAL</b>	<b>1,770</b>	<b>2,154</b>	<b>2,153</b>	<b>1</b>
<b>MIKE DURFEE STATE PRISON</b>				
Personal Services	9,404	9,874	9,874	0
Operating Expenses	4,652	4,945	4,943	2
<b>TOTAL</b>	<b>14,056</b>	<b>14,819</b>	<b>14,817</b>	<b>2</b>

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>STATE PENITENTIARY</b>				
Personal Services	\$ 13,604	\$ 14,450	\$ 14,450	\$ 0
Operating Expenses	4,122	4,738	4,737	1
<b>TOTAL</b>	<b>17,726</b>	<b>19,188</b>	<b>19,187</b>	<b>1</b>
<b>WOMEN'S PRISON</b>				
Personal Services	3,265	3,326	3,326	0
Operating Expenses	1,225	1,226	1,226	0
<b>TOTAL</b>	<b>4,490</b>	<b>4,552</b>	<b>4,552</b>	<b>0</b>
<b>INMATE SERVICES</b>				
Personal Services	861	913	913	0
Operating Expenses	16,414	16,414	16,414	0
<b>TOTAL</b>	<b>17,275</b>	<b>17,327</b>	<b>17,327</b>	<b>0</b>
<b>PAROLE SERVICES</b>				
Personal Services	2,378	2,460	2,460	0
Operating Expenses	958	1,758	1,751	7
<b>TOTAL</b>	<b>3,336</b>	<b>4,218</b>	<b>4,211</b>	<b>7</b>
<b>NONRECURRING PROVIDER ALLOCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	0	128	128	0
<b>TOTAL</b>	<b>0</b>	<b>128</b>	<b>128</b>	<b>0</b>
<b>JUVENILE COMMUNITY CORRECTIONS</b>				
Personal Services	2,346	2,345	2,345	0
Operating Expenses	13,187	11,494	11,494	0
<b>TOTAL</b>	<b>15,533</b>	<b>13,839</b>	<b>13,839</b>	<b>0</b>
<b>YOUTH CHALLENGE CENTER</b>				
Personal Services	1,286	1,384	1,384	0
Operating Expenses	105	118	118	0
<b>TOTAL</b>	<b>1,391</b>	<b>1,502</b>	<b>1,502</b>	<b>0</b>
<b>PATRICK HENRY BRADY ACADEMY</b>				
Personal Services	1,330	1,376	1,376	0
Operating Expenses	89	108	107	1
<b>TOTAL</b>	<b>1,419</b>	<b>1,484</b>	<b>1,483</b>	<b>1</b>
<b>STATE TREATMENT AND REHABILITATION ACADEMY</b>				
Personal Services	2,207	2,269	2,269	0
Operating Expenses	2,079	2,200	2,198	2
<b>TOTAL</b>	<b>4,286</b>	<b>4,469</b>	<b>4,467</b>	<b>2</b>
<b>QUEST/ExCEL</b>				
Personal Services	1,438	1,391	1,391	0
Operating Expenses	108	125	125	0
<b>TOTAL</b>	<b>1,546</b>	<b>1,516</b>	<b>1,516</b>	<b>0</b>
<b>DEPARTMENT TOTAL, CORRECTIONS</b>				
Personal Services	39,479	41,233	41,233	0
Operating Expenses	43,349	43,963	43,949	14
<b>TOTAL</b>	<b>82,828</b>	<b>85,196</b>	<b>85,182</b>	<b>14</b>



**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>ADMINISTRATION, SECRETARY OF HUMAN SERVICES</b>				
Personal Services	\$ 489	\$ 528	\$ 528	\$ 0
Operating Expenses	271	274	274	0
<b>TOTAL</b>	<b>760</b>	<b>802</b>	<b>802</b>	<b>0</b>
<b>DEVELOPMENTAL DISABILITIES</b>				
Personal Services	574	647	583	64
Operating Expenses	45,211	46,259	46,259	0
<b>TOTAL</b>	<b>45,785</b>	<b>46,906</b>	<b>46,842</b>	<b>64</b>
<b>SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD</b>				
Personal Services	7,933	8,001	7,614	387
Operating Expenses	2,244	2,255	2,132	123
<b>TOTAL</b>	<b>10,177</b>	<b>10,256</b>	<b>9,746</b>	<b>510</b>
<b>REHABILITATION SERVICES</b>				
Personal Services	708	729	729	0
Operating Expenses	3,207	3,241	3,241	0
<b>TOTAL</b>	<b>3,915</b>	<b>3,970</b>	<b>3,970</b>	<b>0</b>
<b>SERVICES TO THE BLIND &amp; VISUALLY IMPAIRED</b>				
Personal Services	431	442	442	0
Operating Expenses	446	447	447	0
<b>TOTAL</b>	<b>877</b>	<b>889</b>	<b>889</b>	<b>0</b>
<b>DEPARTMENT TOTAL, HUMAN SERVICES</b>				
Personal Services	10,135	10,347	9,896	451
Operating Expenses	51,379	52,476	52,353	123
<b>TOTAL</b>	<b>61,514</b>	<b>62,823</b>	<b>62,249</b>	<b>574</b>
<b>FINANCIAL AND TECHNICAL ASSISTANCE</b>				
Personal Services	1,790	1,828	1,828	0
Operating Expenses	335	339	339	0
<b>TOTAL</b>	<b>2,125</b>	<b>2,167</b>	<b>2,167</b>	<b>0</b>
<b>ENVIRONMENTAL SERVICES</b>				
Personal Services	2,857	2,922	2,922	0
Operating Expenses	551	561	561	0
<b>TOTAL</b>	<b>3,408</b>	<b>3,483</b>	<b>3,483</b>	<b>0</b>
<b>DEPARTMENT TOTAL, ENVIRONMENT &amp; NATURAL RESOURCES</b>				
Personal Services	4,647	4,750	4,750	0
Operating Expenses	886	900	900	0
<b>TOTAL</b>	<b>5,533</b>	<b>5,650</b>	<b>5,650</b>	<b>0</b>
<b>ADMINISTRATION, PUBLIC UTILITIES COMMISSION</b>				
Personal Services	423	431	431	0
Operating Expenses	54	54	54	0
<b>TOTAL</b>	<b>477</b>	<b>485</b>	<b>485</b>	<b>0</b>
<b>DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION</b>				
Personal Services	423	431	431	0
Operating Expenses	54	54	54	0
<b>TOTAL</b>	<b>477</b>	<b>485</b>	<b>485</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>UNIFIED JUDICIAL SYSTEM</b>				
Personal Services	\$ 31,034	\$ 31,831	\$ 31,831	\$ 0
Operating Expenses	2,696	3,558	3,558	0
<b>TOTAL</b>	<b>33,730</b>	<b>35,389</b>	<b>35,389</b>	<b>0</b>
<b>NONRECURRING PROVIDER ALLOCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	0	17	13	4
<b>TOTAL</b>	<b>0</b>	<b>17</b>	<b>13</b>	<b>4</b>
<b>DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM</b>				
Personal Services	31,034	31,831	31,831	0
Operating Expenses	2,696	3,575	3,571	4
<b>TOTAL</b>	<b>33,730</b>	<b>35,406</b>	<b>35,402</b>	<b>4</b>
<b>LEGISLATIVE OPERATIONS</b>				
Appropriation	4,859	4,928	4,928	0
<b>TOTAL</b>	<b>4,859</b>	<b>4,928</b>	<b>4,928</b>	<b>0</b>
<b>AUDITOR GENERAL</b>				
Personal Services	2,507	2,559	2,539	20
Operating Expenses	316	316	315	1
<b>TOTAL</b>	<b>2,823</b>	<b>2,875</b>	<b>2,854</b>	<b>21</b>
<b>DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT</b>				
Personal Services	2,507	2,559	2,539	20
Operating Expenses	316	316	315	1
Appropriation	4,859	4,928	4,928	0
<b>TOTAL</b>	<b>7,682</b>	<b>7,803</b>	<b>7,782</b>	<b>21</b>
<b>LEGAL SERVICES PROGRAM</b>				
Personal Services	4,222	4,310	4,310	0
Operating Expenses	618	635	635	0
<b>TOTAL</b>	<b>4,840</b>	<b>4,945</b>	<b>4,945</b>	<b>0</b>
<b>CRIMINAL INVESTIGATION</b>				
Personal Services	2,546	2,599	2,599	0
Operating Expenses	1,582	2,144	2,142	2
<b>TOTAL</b>	<b>4,128</b>	<b>4,743</b>	<b>4,741</b>	<b>2</b>
<b>LAW ENFORCEMENT TRAINING</b>				
Personal Services	0	0	0	0
Operating Expenses	328	363	363	0
<b>TOTAL</b>	<b>328</b>	<b>363</b>	<b>363</b>	<b>0</b>
<b>DEPARTMENT TOTAL, ATTORNEY GENERAL</b>				
Personal Services	6,768	6,909	6,909	0
Operating Expenses	2,528	3,142	3,140	2
<b>TOTAL</b>	<b>9,296</b>	<b>10,051</b>	<b>10,049</b>	<b>2</b>
<b>ADMINISTRATION OF SCHOOL AND PUBLIC LANDS</b>				
Personal Services	391	403	403	0
Operating Expenses	608	608	99	509
<b>TOTAL</b>	<b>999</b>	<b>1,011</b>	<b>502</b>	<b>509</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS</b>				
Personal Services	\$ 391	\$ 403	\$ 403	\$ 0
Operating Expenses	608	608	99	509
<b>TOTAL</b>	<b>999</b>	<b>1,011</b>	<b>502</b>	<b>509</b>
<b>SECRETARY OF STATE</b>				
Personal Services	641	655	653	2
Operating Expenses	463	537	498	39
<b>TOTAL</b>	<b>1,104</b>	<b>1,192</b>	<b>1,151</b>	<b>41</b>
<b>DEPARTMENT TOTAL, SECRETARY OF STATE</b>				
Personal Services	641	655	653	2
Operating Expenses	463	537	498	39
<b>TOTAL</b>	<b>1,104</b>	<b>1,192</b>	<b>1,151</b>	<b>41</b>
<b>TREASURY MANAGEMENT</b>				
Personal Services	349	358	353	5
Operating Expenses	119	139	135	4
<b>TOTAL</b>	<b>468</b>	<b>497</b>	<b>488</b>	<b>9</b>
<b>DEPARTMENT TOTAL, STATE TREASURER</b>				
Personal Services	349	358	353	5
Operating Expenses	119	139	135	4
<b>TOTAL</b>	<b>468</b>	<b>497</b>	<b>488</b>	<b>9</b>
<b>STATE AUDITOR</b>				
Personal Services	1,008	1,034	977	57
Operating Expenses	128	132	116	16
<b>TOTAL</b>	<b>1,136</b>	<b>1,166</b>	<b>1,093</b>	<b>73</b>
<b>DEPARTMENT TOTAL, STATE AUDITOR</b>				
Personal Services	1,008	1,034	977	57
Operating Expenses	128	132	116	16
<b>TOTAL</b>	<b>1,136</b>	<b>1,166</b>	<b>1,093</b>	<b>73</b>
<b>STATE TOTAL</b>				
Personal Services	316,935	327,129	325,569	1,560
Operating Expenses	968,557	1,003,916	972,319	31,597
Appropriation	4,859	4,928	4,928	0
<b>TOTAL</b>	<b>\$ 1,290,351</b>	<b>\$ 1,335,973</b>	<b>\$ 1,302,816</b>	<b>\$ 33,157</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**TRANSPORTATION FUND**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>GENERAL OPERATIONS</b>				
Personal Services	\$ 59,117	\$ 60,608	\$ 57,031	\$ 3,577
Operating Expenses	117,399	117,544	94,627	22,917
<b>TOTAL</b>	<b>176,516</b>	<b>178,152</b>	<b>151,658</b>	<b>26,494</b>
<b>CONTRACT CONSTRUCTION--INFORMATIONAL</b>				
Personal Services	0	0	0	0
Operating Expenses	421,045	475,871	466,332	9,539
<b>TOTAL</b>	<b>421,045</b>	<b>475,871</b>	<b>466,332</b>	<b>9,539</b>
<b>ENFORCEMENT</b>				
Personal Services	12,498	12,067	11,370	697
Operating Expenses	5,336	6,132	6,097	35
<b>TOTAL</b>	<b>17,834</b>	<b>18,199</b>	<b>17,467</b>	<b>732</b>
<b>FUND TOTAL, TRANSPORTATION</b>				
Personal Services	71,615	72,675	68,401	4,274
Operating Expenses	543,780	599,547	567,056	32,491
<b>TOTAL</b>	<b>\$ 615,395</b>	<b>\$ 672,222</b>	<b>\$ 635,457</b>	<b>\$ 36,765</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SOCIAL SERVICES FEDERAL FUND**  
**For the Fiscal Year Ended June 30, 2013**  
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>ADMINISTRATION</b>				
Personal Services	\$ 4,898	\$ 5,057	\$ 4,433	\$ 624
Operating Expenses	14,844	15,720	5,043	10,677
<b>TOTAL</b>	<b>19,742</b>	<b>20,777</b>	<b>9,476</b>	<b>11,301</b>
<b>ECONOMIC ASSISTANCE</b>				
Personal Services	9,685	9,961	8,780	1,181
Operating Expenses	49,619	49,972	40,819	9,153
<b>TOTAL</b>	<b>59,304</b>	<b>59,933</b>	<b>49,599</b>	<b>10,334</b>
<b>MEDICAL AND ADULT SERVICES</b>				
Personal Services	5,559	5,712	4,325	1,387
Operating Expenses	527,995	524,026	435,930	88,096
<b>TOTAL</b>	<b>533,554</b>	<b>529,738</b>	<b>440,255</b>	<b>89,483</b>
<b>CHILDREN'S SERVICES</b>				
Personal Services	8,542	8,827	8,201	626
Operating Expenses	41,837	42,166	34,355	7,811
<b>TOTAL</b>	<b>50,379</b>	<b>50,993</b>	<b>42,556</b>	<b>8,437</b>
<b>BEHAVIORAL HEALTH</b>				
Personal Services	9,419	9,671	8,846	825
Operating Expenses	28,018	28,278	23,877	4,401
<b>TOTAL</b>	<b>37,437</b>	<b>37,949</b>	<b>32,723</b>	<b>5,226</b>
<b>DEPARTMENT TOTAL, SOCIAL SERVICES</b>				
Personal Services	38,103	39,228	34,585	4,643
Operating Expenses	662,313	660,162	540,024	120,138
<b>TOTAL</b>	<b>\$ 700,416</b>	<b>\$ 699,390</b>	<b>\$ 574,609</b>	<b>\$ 124,781</b>

**STATE OF SOUTH DAKOTA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET-TO-GAAP RECONCILIATION  
 For the Fiscal Year Ended June 30, 2013  
 (Expressed in Thousands)**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
<b>Uses/Outflows of resources</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$1,302,816	\$635,457	\$574,609
<b>Differences-budget to GAAP:</b>			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(33,114)	(17,229)	(23,669)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(16,494)		
To adjust expenditures/expenses for accruals	4,346	(3,000)	153,032
To adjust expenditures/expenses for reclassification under GASB 54	<u>21,208</u>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$1,278,762</u>	<u>\$615,228</u>	<u>\$703,972</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, 2013, there were no over-expenditures by any State department.

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, 2013 has also been included as Required Supplementary Information.

## INFORMATION ABOUT THE STATE OF SOUTH DAKOTA'S OTHER POSTEMPLOYMENT BENEFITS

The State's 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.

The following factors contributed to changes in the elements presented below in the Schedule of Funding Progress the State Employee OPEB Plan from July 1, 2010 to July 1, 2012: 1) The actuarial assumption moved from a 3.000% to a 3.519% discount rate based on the State's average bond portfolio yield for the valuation period. 2) A change was made to a separate rather than combined inflation trend rates for medical, prescription drugs, retiree and spouse contributions. 3) Combined trend rate changed from 7.67% in 2010 to medical trend rate of 8.0%; annual pharmacy trend rate of 7.0%; Administration and Retiree and Spouse Contribution of 5%.

The following schedules present the funding progress and required employer contributions for the State's other postemployment benefits plan from the recent actuarial valuation and the two preceding valuations (using the projected unit credit actuarial cost method):

### State Employee OPEB Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2010	\$ 0	\$ 74,398,195	\$ 74,398,195	0%	\$ 634,017,694	11.73%
07/01/2011	0	65,808,599	65,808,599	0%	658,086,666	10.00%
07/01/2012	0	67,774,025	67,774,025	0%	662,546,682	10.23%

### State Employee OPEB Plan Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed	Contribution
June 30, 2011	\$ 8,105,443	35.70%	\$ 2,893,849
June 30, 2012	\$ 7,364,512	45.31%	\$ 3,336,683
June 30, 2013	\$ 7,771,151	46.96%	\$ 3,649,024



# **COMBINING FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Combining Statement of Fiduciary Assets and Liabilities – Agency Funds***

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

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

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

***Statement of Cash Flows – Higher Education***

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

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

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE  
June 30, 2013  
(Expressed in Thousands)**

<u>Assets</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 310,747	\$ 759	\$ 135	\$ 709	\$ 312,350
Restricted Cash		20,233			20,233
Investments	109,024	17,551		38,799	165,374
Receivables From:					
Taxes (Net)	3,781				3,781
Interest and Dividends	1,427		4	120	1,551
Other Funds	6,399				6,399
Component Units	69				69
Other Governments	79,814				79,814
Loans and Notes (Net)	67,437				67,437
Other (Net)	6,662	12,013		1	18,676
Inventory	2,378				2,378
Other Assets	1,606	7			1,613
<b>Total Assets</b>	<b>\$ 589,344</b>	<b>\$ 50,563</b>	<b>\$ 139</b>	<b>\$ 39,629</b>	<b>\$ 679,675</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other Liabilities	\$ 30,585	\$ 6	\$	\$ 29	\$ 30,620
Payable To:					
Other Funds	20,365		28	68	20,461
Component Units	1,449				1,449
Other Governments	62,678				62,678
Claims, Judgments and Compensated Absences	113				113
Unearned/Unavailable Revenue	23,769	12,013			35,782
<b>Total Liabilities</b>	<b>138,959</b>	<b>12,019</b>	<b>28</b>	<b>97</b>	<b>151,103</b>
<b>Fund Balances:</b>					
Nonspendable	89,615	7		38,681	128,303
Restricted	270,147	38,537	111	851	309,646
Committed	43,993				43,993
Assigned	48,092				48,092
Unassigned	(1,462)				(1,462)
<b>Total Fund Balances</b>	<b>450,385</b>	<b>38,544</b>	<b>111</b>	<b>39,532</b>	<b>528,572</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 589,344</b>	<b>\$ 50,563</b>	<b>\$ 139</b>	<b>\$ 39,629</b>	<b>\$ 679,675</b>

**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, 2013  
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 105,686	\$	\$	\$	\$ 105,686
Licenses, Permits and Fees	237,687				237,687
Fines, Forfeits and Penalties	15,729				15,729
Use of Money and Property	24,739	6,434	(9)	7,415	38,579
Sales and Services	20,812				20,812
Administering Programs	495,633				495,633
Tobacco Settlement		24,128			24,128
Other Revenue	21,167	115			21,282
Total Revenue	<u>921,453</u>	<u>30,677</u>	<u>(9)</u>	<u>7,415</u>	<u>959,536</u>
Expenditures:					
Current:					
General Government	33,602	401		1,753	35,756
Education	187,983				187,983
Health, Human and Social Services	207,032				207,032
Law, Justice, Public Protection and Regulation	128,571				128,571
Agriculture and Natural Resources	126,162				126,162
Economic Resources	20,809				20,809
Transportation	5,669				5,669
State Shared Revenue Paid to Other Governments	119,286				119,286
Capital Outlay			387		387
Debt Service:					
Principal		30,059			30,059
Interest		13,896			13,896
Bond Issuance Costs		1,817			1,817
Payment to Refunded Bond Escrow Agent		8,016			8,016
Total Expenditures	<u>829,114</u>	<u>54,189</u>	<u>387</u>	<u>1,753</u>	<u>885,443</u>
Excess of Revenue Over (Under) Expenditures	92,339	(23,512)	(396)	5,662	74,093
Other Financing Sources (Uses):					
Capital Leases	12,605				12,605
Proceeds of Refunding Bonds		169,645			169,645
Premiums on Refunding Bonds		9,026			9,026
Proceeds from Sale of Capital Assets	759			1,959	2,718
Payments to Refunded Bond Escrow Agent		(176,854)			(176,854)
Transfers In	37,047	8,596	45		45,688
Transfers Out	(87,458)	(1,743)		(321)	(89,522)
Total Other Financing Sources (Uses)	<u>(37,047)</u>	<u>8,670</u>	<u>45</u>	<u>1,638</u>	<u>(26,694)</u>
Net Change in Fund Balances	55,292	(14,842)	(351)	7,300	47,399
Fund Balances at Beginning of Year	395,093	53,386	462	32,232	481,173
Fund Balances at End of Year	<u>\$ 450,385</u>	<u>\$ 38,544</u>	<u>\$ 111</u>	<u>\$ 39,532</u>	<u>\$ 528,572</u>

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2013  
(Expressed in Thousands)**

	<u>Education Federal</u>	<u>Human Services</u>	<u>Labor</u>	<u>Health Federal</u>	<u>Governor's Office and State Development Federal</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 757	\$ 1,611	\$ 3,399	\$	\$ 6,291
Investments					
Receivables From:					
Taxes (Net)					
Interest and Dividends			2		111
Other Funds	58	48	357	30	
Component Units	22				20
Other Governments	23,270	8,543	1,301	2,299	1,061
Loans and Notes (Net)					2,994
Other (Net)			5		
Inventory		149	77	1,471	
Other Assets	11				4
<b>Total Assets</b>	<b>\$ 24,118</b>	<b>\$ 10,351</b>	<b>\$ 5,141</b>	<b>\$ 3,800</b>	<b>\$ 10,481</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 2,887	\$ 7,132	\$ 1,455	\$ 1,710	\$ 11
Payable To:					
Other Funds	153	1,079	305	457	131
Component Units	241	35	5	78	
Other Governments	20,150	121	7	59	929
Claims, Judgments and Compensated Absences		12	57	6	
Unearned/Unavailable Revenue	461	81	47		548
<b>Total Liabilities</b>	<b>23,892</b>	<b>8,460</b>	<b>1,876</b>	<b>2,310</b>	<b>1,619</b>
Fund Balances:					
Nonspendable	11	149	77	1,471	4
Restricted					8,858
Committed					
Assigned	215	1,742	3,188	19	
Unassigned					
<b>Total Fund Balances</b>	<b>226</b>	<b>1,891</b>	<b>3,265</b>	<b>1,490</b>	<b>8,862</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,118</b>	<b>\$ 10,351</b>	<b>\$ 5,141</b>	<b>\$ 3,800</b>	<b>\$ 10,481</b>

<b>Public Safety Emergency Management</b>	<b>Natural Resources Federal</b>	<b>Game, Fish and Parks Federal</b>	<b>Game and Fish</b>	<b>Parks and Recreation</b>	<b>Securities and Insurance</b>	<b>Health</b>	<b>Gaming Commission</b>
\$ 634	\$	\$	\$ 6,898	\$ 3,870	\$ 657	\$ 4,715	\$ 7,096
							776
			25	3	20		5
		42	492	51		101	
	8						
3,246	1,376	3,005		271		74	
3,743							
			535	1,591		65	
						582	
506							
<u>\$ 8,129</u>	<u>\$ 1,384</u>	<u>\$ 3,047</u>	<u>\$ 7,950</u>	<u>\$ 5,786</u>	<u>\$ 677</u>	<u>\$ 5,537</u>	<u>\$ 7,877</u>
\$ 649	\$ 547	\$ 748	\$ 1,639	\$ 1,669	\$ 132	\$ 359	\$ 54
92	503	1,433	525	208	36	408	574
	7	508	24				
1,469	282		116	13		18	809
				2	12		1
		364		1,209			6,152
<u>2,210</u>	<u>1,339</u>	<u>3,053</u>	<u>2,304</u>	<u>3,101</u>	<u>180</u>	<u>785</u>	<u>7,590</u>
506							
			5,646	2,685		582	
						2,653	
					204		287
5,413	45				293	1,517	
		(6)					
<u>5,919</u>	<u>45</u>	<u>(6)</u>	<u>5,646</u>	<u>2,685</u>	<u>497</u>	<u>4,752</u>	<u>287</u>
<u>\$ 8,129</u>	<u>\$ 1,384</u>	<u>\$ 3,047</u>	<u>\$ 7,950</u>	<u>\$ 5,786</u>	<u>\$ 677</u>	<u>\$ 5,537</u>	<u>\$ 7,877</u>

Continued on next page

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (continued)  
June 30, 2013  
(Expressed in Thousands)**

<b>Assets</b>	<b>Motor Vehicle</b>	<b>Revenue</b>	<b>Future</b>	<b>Vocational Education Facilities</b>	<b>Petroleum Release Compensation</b>	<b>Maintenance and Repair</b>
Cash and Cash Equivalents	\$ 20,437	\$ 357	\$ 46,545	\$ 5,743	\$ 5,643	\$ 6,815
Investments						
Receivables From:						
Taxes (Net)	257				158	
Interest and Dividends	11	3	110	4	14	8
Other Funds			7			726
Component Units						
Other Governments	16,006	427		111		
Loans and Notes (Net)						
Other (Net)	32					
Inventory						
Other Assets	33					
<b>Total Assets</b>	<b>\$ 36,776</b>	<b>\$ 787</b>	<b>\$ 46,662</b>	<b>\$ 5,858</b>	<b>\$ 5,815</b>	<b>\$ 7,549</b>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 475	\$ 489	\$ 355	\$	\$ 136	\$ 301
Payable To:						
Other Funds	1,359	203			4	10
Component Units			428			
Other Governments	31,599		196			
Claims, Judgments and Compensated Absences	9					
Unearned/Unavailable Revenue						
<b>Total Liabilities</b>	<b>33,442</b>	<b>692</b>	<b>979</b>	<b>0</b>	<b>140</b>	<b>311</b>
Fund Balances:						
Nonspendable	33					
Restricted			45,683	5,858		
Committed	3,301	679			5,675	2,463
Assigned						4,775
Unassigned		(584)				
<b>Total Fund Balances</b>	<b>3,334</b>	<b>95</b>	<b>45,683</b>	<b>5,858</b>	<b>5,675</b>	<b>7,238</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,776</b>	<b>\$ 787</b>	<b>\$ 46,662</b>	<b>\$ 5,858</b>	<b>\$ 5,815</b>	<b>\$ 7,549</b>

<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Federal Stimulus (ARRA)</u>	<u>Health Care Trust</u>	<u>Railroad Trust</u>	<u>Other</u>	<u>Total</u>
\$ 22,102	\$ 8,955	\$	\$ 11,943 108,842	\$ 7,260	\$ 139,019 182	\$ 310,747 109,024
425					2,165	3,781
71	32		365	354	289	1,427
1,714	1,002				1,771	6,399
					19	69
193		2,401			16,230	79,814
26,076	2,707	2,086		29,681	150	67,437
			4	30	4,400	6,662
					99	2,378
		18			1,034	1,606
<u>\$ 50,581</u>	<u>\$ 12,696</u>	<u>\$ 4,505</u>	<u>\$ 121,154</u>	<u>\$ 37,325</u>	<u>\$ 165,358</u>	<u>\$ 589,344</u>
\$ 213	\$ 2	\$ 1,120	\$ 47	\$ 145	\$ 8,310	\$ 30,585
		422	3,960		8,503	20,365
		46			77	1,449
887		789			5,234	62,678
		5			9	113
		19			14,888	23,769
<u>1,100</u>	<u>2</u>	<u>2,401</u>	<u>4,007</u>	<u>145</u>	<u>37,021</u>	<u>138,959</u>
		18	85,631		1,133	89,615
49,481	11,529	2,086	31,516	36,848	67,304	270,147
	1,165			332	29,887	43,993
					30,885	48,092
					(872)	(1,462)
<u>49,481</u>	<u>12,694</u>	<u>2,104</u>	<u>117,147</u>	<u>37,180</u>	<u>128,337</u>	<u>450,385</u>
<u>\$ 50,581</u>	<u>\$ 12,696</u>	<u>\$ 4,505</u>	<u>\$ 121,154</u>	<u>\$ 37,325</u>	<u>\$ 165,358</u>	<u>\$ 589,344</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, 2013  
(Expressed in Thousands)**

	<u>Education Federal</u>	<u>Human Services</u>	<u>Labor</u>	<u>Health Federal</u>	<u>Governor's Office and State Development Federal</u>
Revenue:					
Taxes	\$	\$	\$ 510	\$	\$
Licenses, Permits and Fees		79		21	
Fines, Forfeits and Penalties					
Use of Money and Property		38	8		242
Sales and Services		999			1
Administering Programs	162,632	93,531	25,575	51,081	13,533
Other Revenue	27	33	6	61	
Total Revenue	<u>162,659</u>	<u>94,680</u>	<u>26,099</u>	<u>51,163</u>	<u>13,776</u>
Expenditures:					
General Government					
Education	162,714				
Health, Human and Social Services		94,510	27,005	52,219	
Law, Justice, Public Protection and Regulation			317		
Agriculture and Natural Resources					
Economic Resources					6,944
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>162,714</u>	<u>94,510</u>	<u>27,322</u>	<u>52,219</u>	<u>6,944</u>
Excess of Revenue Over (Under) Expenditures	(55)	170	(1,223)	(1,056)	6,832
Other Financing Sources (Uses):					
Capital Leases					
Proceeds from Sale of Capital Assets		27	2		
Transfers In		230	3,347	197	396
Transfers Out		(390)	(1,772)		
Total Other Financing Sources (Uses)	<u>0</u>	<u>(133)</u>	<u>1,577</u>	<u>197</u>	<u>396</u>
Net Change in Fund Balances	(55)	37	354	(859)	7,228
Fund Balances at Beginning of Year	<u>281</u>	<u>1,854</u>	<u>2,911</u>	<u>2,349</u>	<u>1,634</u>
Fund Balances at End of Year	<u>\$ 226</u>	<u>\$ 1,891</u>	<u>\$ 3,265</u>	<u>\$ 1,490</u>	<u>\$ 8,862</u>



<b>Public Safety Emergency Management</b>	<b>Natural Resources Federal</b>	<b>Game, Fish and Parks Federal</b>	<b>Game and Fish</b>	<b>Parks and Recreation</b>	<b>Securities and Insurance</b>	<b>Health</b>	<b>Gaming Commission</b>
\$	\$	\$	\$	\$ 1,552	\$ 20,267	\$ 9	\$ 9,590
			26,161	13,350	21,462	8,977	7,544
			3		36	1	6
74		16	408	2,061	78		18
			131	597	6	1	
37,695	8,313	14,986	53	87			
269	1	15	257		31	1,518	
<u>38,038</u>	<u>8,314</u>	<u>15,017</u>	<u>27,013</u>	<u>17,647</u>	<u>41,880</u>	<u>10,506</u>	<u>17,158</u>
						7,905	
39,718	8,376	13,514	29,592	18,317	2,548		1,411
							8,681
<u>39,718</u>	<u>8,376</u>	<u>13,514</u>	<u>29,592</u>	<u>18,317</u>	<u>2,548</u>	<u>7,905</u>	<u>10,092</u>
(1,680)	(62)	1,503	(2,579)	(670)	39,332	2,601	7,066
3			124	18			
	51	7	1,434	261			
		(1,517)	(1,332)	(1,681)	(39,348)	(904)	(7,033)
<u>3</u>	<u>51</u>	<u>(1,510)</u>	<u>226</u>	<u>(1,402)</u>	<u>(39,348)</u>	<u>(904)</u>	<u>(7,033)</u>
(1,677)	(11)	(7)	(2,353)	(2,072)	(16)	1,697	33
7,596	56	1	7,999	4,757	513	3,055	254
<u>\$ 5,919</u>	<u>\$ 45</u>	<u>\$ (6)</u>	<u>\$ 5,646</u>	<u>\$ 2,685</u>	<u>\$ 497</u>	<u>\$ 4,752</u>	<u>\$ 287</u>

Continued on next page

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (continued)  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	<b>Motor Vehicle</b>	<b>Revenue</b>	<b>Future</b>	<b>Vocational Education Facilities</b>	<b>Petroleum Release Compensation</b>	<b>Maintenance and Repair</b>
Revenue:						
Taxes	\$ 3,724	\$ 9,738	\$ 14,028	\$	\$ 1,819	\$
Licenses, Permits and Fees	107,654	3,095		3,934		
Fines, Forfeits and Penalties						
Use of Money and Property	40	9	400	20	51	25
Sales and Services	2,329					1,657
Administering Programs						467
Other Revenue	5		450	872	703	589
Total Revenue	<u>113,752</u>	<u>12,842</u>	<u>14,878</u>	<u>4,826</u>	<u>2,573</u>	<u>2,738</u>
Expenditures:						
General Government	6,281	10,141				2,827
Education				18,820		
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	7,522					
Agriculture and Natural Resources					1,092	
Economic Resources			7,257			
Transportation						
State Shared Revenue Paid to Other Governments	98,698	1,900				
Total Expenditures	<u>112,501</u>	<u>12,041</u>	<u>7,257</u>	<u>18,820</u>	<u>1,092</u>	<u>2,827</u>
Excess of Revenue Over (Under) Expenditures	1,251	801	7,621	(13,994)	1,481	(89)
Other Financing Sources (Uses):						
Capital Leases				12,605		
Proceeds from Sale of Capital Assets						10
Transfers In	1,033		2,000	1,650		878
Transfers Out	(1,564)	(666)				
Total Other Financing Sources (Uses)	<u>(531)</u>	<u>(666)</u>	<u>2,000</u>	<u>14,255</u>	<u>0</u>	<u>888</u>
Net Change in Fund Balances	720	135	9,621	261	1,481	799
Fund Balances at Beginning of Year	2,614	(40)	36,062	5,597	4,194	6,439
Fund Balances at End of Year	<u>\$ 3,334</u>	<u>\$ 95</u>	<u>\$ 45,683</u>	<u>\$ 5,858</u>	<u>\$ 5,675</u>	<u>\$ 7,238</u>

<b>Water and Environment</b>	<b>Energy Conservation</b>	<b>Federal Stimulus (ARRA)</b>	<b>Health Care Trust</b>	<b>Railroad Trust</b>	<b>Other</b>	<b>Total</b>
\$ 5,106	\$ 1,001	\$	\$	\$	\$ 38,342	\$ 105,686
1,727				269	43,414	237,687
					15,683	15,729
333	109		18,365	786	1,658	24,739
	96				14,995	20,812
		16,115			71,565	495,633
49		1			16,280	21,167
<u>7,215</u>	<u>1,206</u>	<u>16,116</u>	<u>18,365</u>	<u>1,055</u>	<u>201,937</u>	<u>921,453</u>
		1,030	223		13,100	33,602
		3,222			3,227	187,983
		8,251			17,142	207,032
		800			76,255	128,571
6,826		155			48,290	126,162
	563	1,484			4,561	20,809
		991		1,198	3,480	5,669
					10,007	119,286
<u>6,826</u>	<u>563</u>	<u>15,933</u>	<u>223</u>	<u>1,198</u>	<u>176,062</u>	<u>829,114</u>
389	643	183	18,142	(143)	25,875	92,339
						12,605
				280	295	759
6,483				142	18,938	37,047
(463)		(507)	(3,960)		(26,321)	(87,458)
<u>6,020</u>	<u>0</u>	<u>(507)</u>	<u>(3,960)</u>	<u>422</u>	<u>(7,088)</u>	<u>(37,047)</u>
6,409	643	(324)	14,182	279	18,787	55,292
43,072	12,051	2,428	102,965	36,901	109,550	395,093
<u>\$ 49,481</u>	<u>\$ 12,694</u>	<u>\$ 2,104</u>	<u>\$ 117,147</u>	<u>\$ 37,180</u>	<u>\$ 128,337</u>	<u>\$ 450,385</u>

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
June 30, 2013  
(Expressed in Thousands)**

	<b>Building Authority</b>	<b>Tobacco Securitization</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 15	\$ 744	\$ 759
Restricted Cash		20,233	20,233
Investments	17,551		17,551
<b>Receivables From:</b>			
Other (net)		12,013	12,013
Other Assets		7	7
<b>Total Assets</b>	<b>\$ 17,566</b>	<b>\$ 32,997</b>	<b>\$ 50,563</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable and Other Liabilities	\$	\$ 6	\$ 6
Unearned/Unavailable Revenue		12,013	12,013
<b>Total Liabilities</b>	<b>0</b>	<b>12,019</b>	<b>12,019</b>
<b>Fund Balances:</b>			
Nonspendable		7	7
Restricted	17,566	20,971	38,537
<b>Total Fund Balances</b>	<b>17,566</b>	<b>20,978</b>	<b>38,544</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,566</b>	<b>\$ 32,997</b>	<b>\$ 50,563</b>

**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, 2013**  
**(Expressed in Thousands)**

	<b>Building Authority</b>	<b>Tobacco Securitization</b>	<b>Total</b>
<b>Revenue:</b>			
Use of Money and Property	\$	\$ 6,434	\$ 6,434
Tobacco Settlement		24,128	24,128
Other Revenue	115		115
Total Revenue	<u>115</u>	<u>30,562</u>	<u>30,677</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government	255	146	401
<b>Debt Service:</b>			
Principal	10,714	19,345	30,059
Interest	2,640	11,256	13,896
Bond Issuance Costs		1,817	1,817
Payment to Refunded Bond Escrow Agent		8,016	8,016
Total Expenditures	<u>13,609</u>	<u>40,580</u>	<u>54,189</u>
Excess of Revenue Over (Under) Expenditures	(13,494)	(10,018)	(23,512)
<b>Other Financing Sources (Uses):</b>			
Proceeds of Refunding Bonds		169,645	169,645
Payments to Refunded Bond Escrow Agent		(176,854)	(176,854)
Premiums on Refunding Bonds		9,026	9,026
Transfers In	8,596		8,596
Transfers Out	(60)	(1,683)	(1,743)
Total Other Financing Sources (Uses)	<u>8,536</u>	<u>134</u>	<u>8,670</u>
Net Change in Fund Balances	(4,958)	(9,884)	(14,842)
Fund Balances at Beginning of Year	<u>22,524</u>	<u>30,862</u>	<u>53,386</u>
Fund Balances at End of Year	<u>\$ 17,566</u>	<u>\$ 20,978</u>	<u>\$ 38,544</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2013**  
**(Expressed in Thousands)**

<b>Assets</b>	<b>Revolving Economic Development and Initiative</b>	<b>Unemployment Insurance</b>	<b>Second Injury</b>	<b>State Fair</b>	<b>Federal Surplus Property</b>
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 62,776	\$ 55,929	\$ 1,377	\$ 1,327	\$ 541
Receivables:					
Interest and Dividends	251		7	2	1
Other Funds		92			
Component Units					
Other Governments		212			146
Loans and Notes (Net)	10,964				
Other (Net)	69	1,530		41	11
Inventory					1,549
Other Assets					
<b>Total Current Assets</b>	<b>74,060</b>	<b>57,763</b>	<b>1,384</b>	<b>1,370</b>	<b>2,248</b>
Assets Held for Resale	302				
<b>Capital Assets:</b>					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment	28			3,353	559
Accumulated Depreciation	(20)			(2,965)	(428)
Construction in Progress					
<b>Total Capital Assets</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>580</b>	<b>234</b>
Other Noncurrent Assets	28,871				
<b>Total Assets</b>	<b>103,241</b>	<b>57,763</b>	<b>1,384</b>	<b>1,950</b>	<b>2,482</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Liabilities	53		1	260	70
Payable To:					
Other Funds	7	170		10	3
Claims, Judgments and Compensated Absences	18		1	23	42
Unearned Revenue				523	6
<b>Total Current Liabilities</b>	<b>78</b>	<b>170</b>	<b>2</b>	<b>816</b>	<b>121</b>
<b>Noncurrent Liabilities:</b>					
Claims, Judgments and Compensated Absences	16		1	20	37
<b>Total Noncurrent Liabilities</b>	<b>16</b>	<b>0</b>	<b>1</b>	<b>20</b>	<b>37</b>
<b>Total Liabilities</b>	<b>94</b>	<b>170</b>	<b>3</b>	<b>836</b>	<b>158</b>
<b>Net Position</b>					
Net Investment in Capital Assets	8			580	234
Unrestricted	103,139	57,593	1,381	534	2,090
<b>Total Net Position</b>	<b>\$ 103,147</b>	<b>\$ 57,593</b>	<b>\$ 1,381</b>	<b>\$ 1,114</b>	<b>\$ 2,324</b>

<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>
\$ 5,267	\$ 2,196	\$ 7,197	\$ 9,678	\$ 5,074	\$ 1,718	\$ 153,080
33	8	19	26	8	3	358
	146		14			252
	17					17
					250	608
336						11,300
	81	86	5		12	1,835
	1,054				67	2,670
	29	9			146	184
<u>5,636</u>	<u>3,531</u>	<u>7,311</u>	<u>9,723</u>	<u>5,082</u>	<u>2,196</u>	<u>170,304</u>
						302
						295
18	2,212		48		870	7,088
(12)	(1,342)		(46)		(850)	(5,663)
					110	110
<u>6</u>	<u>870</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>130</u>	<u>1,830</u>
1,471						30,342
<u>7,113</u>	<u>4,401</u>	<u>7,311</u>	<u>9,725</u>	<u>5,082</u>	<u>2,326</u>	<u>202,778</u>
						4,808
53	90	29	344	3,806	102	4,808
8	30	1	66	10	38	343
31	72	585	195	116	288	1,371
	7	1,041	544		42	2,163
<u>92</u>	<u>199</u>	<u>1,656</u>	<u>1,149</u>	<u>3,932</u>	<u>470</u>	<u>8,685</u>
						472
27	51	3	170	102	45	472
<u>27</u>	<u>51</u>	<u>3</u>	<u>170</u>	<u>102</u>	<u>45</u>	<u>472</u>
119	250	1,659	1,319	4,034	515	9,157
						1,830
6	870		2		130	1,830
<u>6,988</u>	<u>3,281</u>	<u>5,652</u>	<u>8,404</u>	<u>1,048</u>	<u>1,681</u>	<u>191,791</u>
<u>\$ 6,994</u>	<u>\$ 4,151</u>	<u>\$ 5,652</u>	<u>\$ 8,406</u>	<u>\$ 1,048</u>	<u>\$ 1,811</u>	<u>\$ 193,621</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	<b>Revolving Economic Development and Initiative</b>	<b>Unemployment Insurance</b>	<b>Second Injury</b>	<b>State Fair</b>	<b>Federal Surplus Property</b>
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	1,358			424	
Sales and Services				1,750	4,401
Administering Programs		6,438		16	
Assessments		43,314	80		
Other Revenue	354			260	
Total Operating Revenue	<u>1,712</u>	<u>49,752</u>	<u>80</u>	<u>2,450</u>	<u>4,401</u>
Operating Expenses:					
Personal Services and Benefits	142		24	701	527
Travel	11			6	5
Contractual Services	301		2	1,544	709
Supplies and Materials	19			530	2,839
Other	403			63	
Depreciation/Amortization	4			19	9
Insurance Claims		37,901	1,610		
Total Operating Expenses	<u>880</u>	<u>37,901</u>	<u>1,636</u>	<u>2,863</u>	<u>4,089</u>
Operating Income (Loss)	832	11,851	(1,556)	(413)	312
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets				2	
Loss on Disposal of Assets					
Interest Income	649	1,869	23	8	4
Other Expense	(292)			(1)	
Grant and Other Income				25	
Total Nonoperating Revenue (Expenses)	<u>357</u>	<u>1,869</u>	<u>23</u>	<u>34</u>	<u>4</u>
Income (Loss) Before Transfers	1,189	13,720	(1,533)	(379)	316
Transfers:					
Transfers In	3,231	1,771		269	
Transfers Out		(1,730)	(1)		
Net Transfers In (Out)	<u>3,231</u>	<u>41</u>	<u>(1)</u>	<u>269</u>	<u>0</u>
Change in Net Position	4,420	13,761	(1,534)	(110)	316
Net Position at Beginning of Year	<u>98,727</u>	<u>43,832</u>	<u>2,915</u>	<u>1,224</u>	<u>2,008</u>
Net Position at End of Year	<u>\$ 103,147</u>	<u>\$ 57,593</u>	<u>\$ 1,381</u>	<u>\$ 1,114</u>	<u>\$ 2,324</u>



<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 36	\$	\$	\$ 6,888	\$ 4,115	\$ 1,689	\$ 12,728
70						1,852
69	2,561	5,806	210	183	2,128	17,108
			72			6,526
		214	236	1,002	8,558	43,394
<u>175</u>	<u>2,561</u>	<u>6,020</u>	<u>7,406</u>	<u>5,300</u>	<u>12,375</u>	<u>92,232</u>
308	673	100	3,625	1,747	1,790	9,637
68	11		597	175	145	1,018
153	383	548	2,423	2,756	951	9,770
61	1,197	1	250	55	222	5,174
32			35	1		534
3	85		4		9	133
		6,041			9,515	55,067
<u>625</u>	<u>2,349</u>	<u>6,690</u>	<u>6,934</u>	<u>4,734</u>	<u>12,632</u>	<u>81,333</u>
(450)	212	(670)	472	566	(257)	10,899
	1					3
	(5)					(5)
43	19	60	91	36	12	2,814
(3)	(2)	(5)	(7)			(310)
318		736	90		122	1,291
<u>358</u>	<u>13</u>	<u>791</u>	<u>174</u>	<u>36</u>	<u>134</u>	<u>3,793</u>
(92)	225	121	646	602	(123)	14,692
1	1	645	95	36	107	6,156
(2)	(920)		(92)	(77)		(2,822)
(1)	(919)	645	3	(41)	107	3,334
(93)	(694)	766	649	561	(16)	18,026
7,087	4,845	4,886	7,757	487	1,827	175,595
<u>\$ 6,994</u>	<u>\$ 4,151</u>	<u>\$ 5,652</u>	<u>\$ 8,406</u>	<u>\$ 1,048</u>	<u>\$ 1,811</u>	<u>\$ 193,621</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property	Rural Rehabilitation
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 61	\$ 50,193	\$ 78	\$ 2,452	\$ 2,756	\$ 106
Receipts from Interfund Services Provided					1,481	
Receipts from Federal Agencies					197	
Receipts from Loan Payments	10,422					688
Payments to Suppliers and for Benefits and Claims	(282)	(37,901)	(1,703)	(1,884)	(3,693)	(301)
Payments for Employee Services	(99)		(24)	(681)	(539)	(342)
Payments for Interfund Services Used	(61)	(122)		(166)	(72)	(31)
Payments for Loans Originated	(3,681)					(785)
Other Receipts (Payments)						
Net Cash Provided (Used) by Operating Activities	<u>6,360</u>	<u>12,170</u>	<u>(1,649)</u>	<u>(279)</u>	<u>130</u>	<u>(665)</u>
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets						
Sales of Capital Assets				1		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>
Cash Flows From Noncapital Financing Activities:						
Transfers In	3,231	1,771		269		1
Transfers Out		(1,729)	(1)			(2)
Borrowings from Federal Government						
Other Noncapital Financing Activities	(252)			25		373
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,979</u>	<u>42</u>	<u>(1)</u>	<u>294</u>	<u>0</u>	<u>372</u>
Cash Flows From Investing Activities:						
Investment Income	657	1,869	22	8	4	46
Investment Expense	(40)			(1)		(3)
Net Cash Provided (Used) by Investing Activities	<u>617</u>	<u>1,869</u>	<u>22</u>	<u>7</u>	<u>4</u>	<u>43</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	9,956	14,081	(1,628)	23	134	(250)
Cash and Cash Equivalents at Beginning of Year	52,820	41,848	3,005	1,304	407	5,517
Cash and Cash Equivalents at End of Year	<u>\$ 62,776</u>	<u>\$ 55,929</u>	<u>\$ 1,377</u>	<u>\$ 1,327</u>	<u>\$ 541</u>	<u>\$ 5,267</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 832	\$ 11,851	\$ (1,556)	\$ (413)	\$ 312	\$ (450)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	4			19	9	3
Miscellaneous Nonoperating Items			2			
Decrease/(Increase) in Assets:						
Accounts Receivable	349	441		(6)	44	
Interest, Dividends & Penalties Receivable	(30)					47
Loans and Notes Receivable	5,505					(214)
Due From Other Funds		(24)			1	
Due From Component Units						
Due From Other Governments		166			(7)	
Inventory					(202)	
Other Assets	(302)					
Increase/(Decrease) in Liabilities:						
Accounts Payable	(5)		(95)	146	(13)	1
Accrued Liabilities	1			9	(12)	14
Compensated Absences Payable	3			11	1	(47)
Due To Other Funds	3	(264)		(5)		(3)
Due To Other Component Units				(48)		
Due To Other Governments						(16)
Unearned Revenue				8	(3)	
Policy Claim Liabilities						
Other Liabilities						
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,360</u>	<u>\$ 12,170</u>	<u>\$ (1,649)</u>	<u>\$ (279)</u>	<u>\$ 130</u>	<u>\$ (665)</u>
Noncash Investing, Capital and Financing Activities:						
Loss/(Gain) on Disposal of Fixed Assets						

Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 465	\$ 6,038	\$ 6,975	\$ 5,300	\$ 13,022	\$ 87,446
2,286		377		151	4,295
				85	282
					11,110
(1,388)	(7,157)	(2,570)	(1,087)	(11,305)	(69,271)
(650)	(96)	(3,551)	(1,685)	(1,823)	(9,490)
(421)	(14)	(698)	(78)	(442)	(2,105)
					(4,466)
		1			1
292	(1,229)	534	2,450	(312)	17,802
				(110)	(110)
1					2
1	0	0	0	(110)	(108)
1	645	95	36	108	6,157
(920)		(92)	(77)		(2,821)
				2	2
	736	90		132	1,104
(919)	1,381	93	(41)	242	4,442
25	65	93	32	13	2,834
(2)	(5)	(7)			(58)
23	60	86	32	13	2,776
(603)	212	713	2,441	(167)	24,912
2,799	6,985	8,965	2,633	1,885	128,168
<u>\$ 2,196</u>	<u>\$ 7,197</u>	<u>\$ 9,678</u>	<u>\$ 5,074</u>	<u>\$ 1,718</u>	<u>\$ 153,080</u>

\$ 212	\$ (670)	\$ 472	\$ 566	\$ (257)	\$ 10,899
85		4		9	133
					2
(33)	(20)	(1)		5	779
					17
					5,291
4		(1)			(20)
(7)					(7)
				1,005	1,164
45				(2)	(159)
(9)	(9)			17	(303)
(45)	(21)	14	1,822	(48)	1,756
10		41	22	(8)	77
27	4	31	41	(28)	43
(4)		47	(2)	(2)	(230)
		(48)	1		(48)
7	39	(25)		(129)	(103)
	(552)			(872)	(1,424)
				(2)	(2)
<u>\$ 292</u>	<u>\$ (1,229)</u>	<u>\$ 534</u>	<u>\$ 2,450</u>	<u>\$ (312)</u>	<u>\$ 17,802</u>

(4)

(4)

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
June 30, 2013  
(Expressed in Thousands)**

<b>Assets</b>	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Tele- communi- cations</b>	<b>Accounting and Payroll</b>	<b>Buildings and Grounds</b>	<b>Central Mail</b>
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 21,039	\$ 3,397	\$ 2,023	\$ 873	\$ 663	\$ 526
Receivables:						
Interest and Dividends	37	7	4	7		1
Other Funds		1,812	917	881	1,309	275
Component Units		4	369	70		
Other Governments						
Other	689	30	31			4
Inventory		13	125			244
Other Assets	395	1,136	336	608	4	
<b>Total Current Assets</b>	<b>22,160</b>	<b>6,399</b>	<b>3,805</b>	<b>2,439</b>	<b>1,976</b>	<b>1,050</b>
<b>Capital Assets:</b>						
Property, Plant and Equipment		16,076	2,944	11,522	1,310	422
Accumulated Depreciation		(13,483)	(2,638)	(10,213)	(1,197)	(310)
Construction in Progress			49			
<b>Total Capital Assets</b>	<b>0</b>	<b>2,593</b>	<b>355</b>	<b>1,309</b>	<b>113</b>	<b>112</b>
<b>Total Assets</b>	<b>22,160</b>	<b>8,992</b>	<b>4,160</b>	<b>3,748</b>	<b>2,089</b>	<b>1,162</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Liabilities	403	1,525	530	77	379	38
Payable To:						
Other Funds	37	125	191	80	30	5
Component Units						
Bonds, Notes and Leases Payable		532	16			
Claims, Judgments and Compensated Absences	17,181	1,104	423	130	166	28
Unearned Revenue	8,833					
<b>Total Current Liabilities</b>	<b>26,454</b>	<b>3,286</b>	<b>1,160</b>	<b>287</b>	<b>575</b>	<b>71</b>
<b>Noncurrent Liabilities:</b>						
Bonds, Notes and Leases Payable		371				
Claims, Judgments and Compensated Absences	33	965	370	114	145	25
Other Noncurrent Liabilities	27					
<b>Total Noncurrent Liabilities</b>	<b>60</b>	<b>1,336</b>	<b>370</b>	<b>114</b>	<b>145</b>	<b>25</b>
<b>Total Liabilities</b>	<b>26,514</b>	<b>4,622</b>	<b>1,530</b>	<b>401</b>	<b>720</b>	<b>96</b>
<b>Net Position</b>						
Net Investment in Capital Assets		1,690	339	1,309	113	112
Unrestricted	(4,354)	2,680	2,291	2,038	1,256	954
<b>Total Net Position</b>	<b>\$ (4,354)</b>	<b>\$ 4,370</b>	<b>\$ 2,630</b>	<b>\$ 3,347</b>	<b>\$ 1,369</b>	<b>\$ 1,066</b>

<u>Rural Development Telecommunica- tions Network</u>	<u>Public Entity Pool for Liability</u>	<u>Fleet and Travel Management</u>	<u>Personnel</u>	<u>Workers Compensation</u>	<u>Other</u>	<u>Total</u>
\$ 516	\$ 9,974	\$ 2,451	\$ 916	\$ 6,088	\$ 3,768	\$ 52,234
1	26	1	2	19	11	116
99		1,346	225		626	7,490
103		277	1		63	887
					164	164
2		12	8	9	65	850
					260	642
8				38	11	2,536
<u>729</u>	<u>10,000</u>	<u>4,087</u>	<u>1,152</u>	<u>6,154</u>	<u>4,968</u>	<u>64,919</u>
2,194	58	50,293	17		9,844	94,680
(1,968)	(58)	(34,662)	(16)		(3,636)	(68,181)
87						136
<u>313</u>	<u>0</u>	<u>15,631</u>	<u>1</u>	<u>0</u>	<u>6,208</u>	<u>26,635</u>
<u>1,042</u>	<u>10,000</u>	<u>19,718</u>	<u>1,153</u>	<u>6,154</u>	<u>11,176</u>	<u>91,554</u>
124	34	513	211	25	483	4,342
26	7	724	56	3	223	1,507
		54			6	60
		1,534			71	2,153
42	1,411	29	233	3,033	449	24,229
22		1			13	8,869
<u>214</u>	<u>1,452</u>	<u>2,855</u>	<u>500</u>	<u>3,061</u>	<u>1,245</u>	<u>41,160</u>
		7,089			212	7,672
36	3,760	26	204	20,406	392	26,476
						27
<u>36</u>	<u>3,760</u>	<u>7,115</u>	<u>204</u>	<u>20,406</u>	<u>604</u>	<u>34,175</u>
<u>250</u>	<u>5,212</u>	<u>9,970</u>	<u>704</u>	<u>23,467</u>	<u>1,849</u>	<u>75,335</u>
313		7,008	1		5,925	16,810
479	4,788	2,740	448	(17,313)	3,402	(591)
<u>\$ 792</u>	<u>\$ 4,788</u>	<u>\$ 9,748</u>	<u>\$ 449</u>	<u>\$ (17,313)</u>	<u>\$ 9,327</u>	<u>\$ 16,219</u>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Tele- communi- cations</u>	<u>Accounting and Payroll</u>	<u>Buildings and Grounds</u>	<u>Central Mail</u>
Operating Revenue:						
Use of Money and Property	\$	\$	\$	\$	\$	\$
Sales and Services	138,342	19,544	13,840	3,299	5,836	3,391
Other Revenue	1,784	25	23	11	2	
Total Operating Revenue:	<u>140,126</u>	<u>19,569</u>	<u>13,863</u>	<u>3,310</u>	<u>5,838</u>	<u>3,391</u>
Operating Expenses:						
Personal Services and Benefits	639	13,579	4,799	1,214	2,861	346
Travel	21	92	122	6	3	
Contractual Services	17,861	4,115	8,056	1,719	1,957	179
Supplies and Materials	35	525	236	83	943	2,937
Grant and Other						
Interest		37	5			
Depreciation/Amortization		1,289	222	355	23	14
Insurance Claims	119,567					
Total Operating Expenses	<u>138,123</u>	<u>19,637</u>	<u>13,440</u>	<u>3,377</u>	<u>5,787</u>	<u>3,476</u>
Operating Income (Loss)	2,003	(68)	423	(67)	51	(85)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets						
Loss on Disposal of Assets			(15)		(1)	
Interest Income	81	19	14	25	2	5
Other Expense	(9)	(2)	(1)	(2)		
Capital Contribution					22	
Grant and Other Income			50			
Total Nonoperating Revenue (Expenses)	<u>72</u>	<u>17</u>	<u>48</u>	<u>23</u>	<u>23</u>	<u>5</u>
Income (Loss) Before Transfers	2,075	(51)	471	(44)	74	(80)
Transfers:						
Transfers In				484	200	
Transfers Out				(1,840)		
Net Transfers In (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,356)</u>	<u>200</u>	<u>0</u>
Change in Net Position	2,075	(51)	471	(1,400)	274	(80)
Net Position at Beginning of Year	<u>(6,429)</u>	<u>4,421</u>	<u>2,159</u>	<u>4,747</u>	<u>1,095</u>	<u>1,146</u>
Net Position at End of Year	<u>\$ (4,354)</u>	<u>\$ 4,370</u>	<u>\$ 2,630</u>	<u>\$ 3,347</u>	<u>\$ 1,369</u>	<u>\$ 1,066</u>

<b>Rural Development Telecommunica- tions Network</b>	<b>Public Entity Pool for Liability</b>	<b>Fleet and Travel Management</b>	<b>Personnel</b>	<b>Workers Compensation</b>	<b>Other</b>	<b>Total</b>
\$	\$	\$	\$	\$	\$	\$
710	1,966	16,576	3,727	2,460	10,132	219,823
		10		50	86	1,991
<u>710</u>	<u>1,966</u>	<u>16,586</u>	<u>3,727</u>	<u>2,510</u>	<u>10,227</u>	<u>221,823</u>
352	242	612	3,175	151	5,570	33,540
13	15	6	78	1	343	700
274	917	2,356	657	274	1,763	40,128
23	5	9,692	141	8	2,001	16,629
					10	10
		159			13	214
129		2,881			389	5,302
	2,000			4,864	408	126,839
<u>791</u>	<u>3,179</u>	<u>15,706</u>	<u>4,051</u>	<u>5,298</u>	<u>10,497</u>	<u>223,362</u>
(81)	(1,213)	880	(324)	(2,788)	(270)	(1,539)
		620			17	637
		(42)			(6)	(64)
3	91	3	8	61	36	348
	(7)		(1)	(5)	(2)	(29)
					49	71
						50
<u>3</u>	<u>84</u>	<u>581</u>	<u>7</u>	<u>56</u>	<u>94</u>	<u>1,013</u>
(78)	(1,129)	1,461	(317)	(2,732)	(176)	(526)
			249		552	1,485
					(614)	(2,454)
<u>0</u>	<u>0</u>	<u>0</u>	<u>249</u>	<u>0</u>	<u>(62)</u>	<u>(969)</u>
(78)	(1,129)	1,461	(68)	(2,732)	(238)	(1,495)
870	5,917	8,287	517	(14,581)	9,565	17,714
<u>\$ 792</u>	<u>\$ 4,788</u>	<u>\$ 9,748</u>	<u>\$ 449</u>	<u>\$ (17,313)</u>	<u>\$ 9,327</u>	<u>\$ 16,219</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Tele- communi- cations</u>	<u>Accounting and Payroll</u>	<u>Buildings and Grounds</u>	<u>Central Mail</u>
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 76,115	\$ 375	\$ 4,442	\$ 318	\$ 7	\$ 164
Receipts from Interfund Services Provided	64,850	19,280	9,310	2,891	6,034	3,227
Payments to Suppliers and for Benefits and Claims	(134,018)	(3,687)	(7,397)	(1,023)	(2,186)	(3,043)
Payments for Employee Services	(580)	(13,353)	(4,732)	(1,201)	(2,819)	(352)
Payments for Interfund Services Used	(528)	(1,285)	(1,018)	(807)	(641)	(83)
Other Receipts (Payments)	25	25	23	11	2	2
Net Cash Provided (Used) by Operating Activities	<u>5,839</u>	<u>1,355</u>	<u>628</u>	<u>189</u>	<u>397</u>	<u>(87)</u>
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(196)	(139)	(6)	(26)	(81)
Sales of Capital Assets						
Payments on Capital Lease Obligations		(707)	(125)			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(903)</u>	<u>(264)</u>	<u>(6)</u>	<u>(26)</u>	<u>(81)</u>
Cash Flows From Noncapital Financing Activities:						
Transfers In				484	200	
Transfers Out				(1,840)		
Received (Paid) on Interfund Borrowing			50			
Other Noncapital Financing Activities						
Net Cash Provided (Used) From Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>50</u>	<u>(1,356)</u>	<u>200</u>	<u>0</u>
Cash Flows From Investing Activities						
Investment Income	114	23	14	25	2	5
Investment Expense	(9)	(2)	(1)	(2)		
Net Cash Provided (Used) by Investing Activities	<u>105</u>	<u>21</u>	<u>13</u>	<u>23</u>	<u>2</u>	<u>5</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	5,944	473	427	(1,150)	573	(163)
Cash and Cash Equivalents at Beginning of Year	15,095	2,924	1,596	2,023	90	689
Cash and Cash Equivalents at End of Year	<u>\$ 21,039</u>	<u>\$ 3,397</u>	<u>\$ 2,023</u>	<u>\$ 873</u>	<u>\$ 663</u>	<u>\$ 526</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 2,003	\$ (68)	\$ 423	\$ (67)	\$ 51	\$ (85)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,289	222	355	23	14
Interest Expense		37	5			
Decrease/(Increase) in Assets:						
Accounts Receivable	71	(29)	(3)			1
Due From Other Funds		(201)	(87)	(89)	205	2
Due From Component Units			(28)	(1)		
Due From Other Governments						
Inventory		2	(4)		14	(20)
Other Assets	(95)	(22)	117	(27)		9
Increase/(Decrease) in Liabilities:						
Accounts Payable	(7)	169	(104)		17	(1)
Accrued Liabilities	18	69	13	2	11	1
Compensated Absences Payable	41	157	54	11	30	(7)
Due To Other Funds	(2)	(48)	20	5	(4)	
Due To Component Units						
Due To Other Governments					50	(1)
Unearned Revenue	770					
Policy Claim Liabilities	3,040					
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,839</u>	<u>\$ 1,355</u>	<u>\$ 628</u>	<u>\$ 189</u>	<u>\$ 397</u>	<u>\$ (87)</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$ (15)	\$	\$ (1)	\$
Capital Lease Obligations Entered Into		375				
Transfers In (Out) of Fixed Assets					22	



Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 349	\$ 574	\$ 3,130	\$ 41	\$ 692	\$ 2,159	\$ 88,366
328	1,391	13,558	3,744	1,822	8,045	134,480
(170)	(2,311)	(10,838)	(406)	(3,837)	(3,042)	(171,958)
(340)	(245)	(614)	(3,179)	(153)	(5,561)	(33,129)
(119)	(92)	(1,114)	(440)	(40)	(1,488)	(7,655)
		13			94	168
48	(683)	4,135	(240)	(1,516)	207	10,272
(10)		(1,416)			(344)	(2,218)
		1,146			37	1,183
		(1,581)			(58)	(2,471)
(10)	0	(1,851)	0	0	(365)	(3,506)
			249		552	1,485
					(614)	(2,454)
					(116)	(116)
					5	55
0	0	0	249	0	(173)	(1,030)
4	93	3	9	66	38	396
	(7)		(1)	(5)	(3)	(30)
4	86	3	8	61	35	366
42	(597)	2,287	17	(1,455)	(296)	6,102
474	10,571	164	899	7,543	4,064	46,132
\$ 516	\$ 9,974	\$ 2,451	\$ 916	\$ 6,088	\$ 3,768	\$ 52,234
\$ (81)	\$ (1,213)	\$ 880	\$ (324)	\$ (2,788)	\$ (270)	\$ (1,539)
129		2,881			389	5,302
		139			13	194
		(1)	(1)	(1)	89	126
(4)		104	62		22	14
(8)		11	(1)		5	(22)
					(42)	(42)
					11	3
12					9	3
7	(7)	58	22	725	(49)	830
4	(2)	(1)	12	(1)	11	137
7	(1)		(17)	(1)	(2)	272
2		71	7		11	62
		(7)			6	(1)
						49
(20)					4	754
	540			550		4,130
\$ 48	\$ (683)	\$ 4,135	\$ (240)	\$ (1,516)	\$ 207	\$ 10,272
\$	\$	\$ 578	\$	\$	\$ (4)	\$ 558
		5,345			173	5,893

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**June 30, 2013**  
**(Expressed in Thousands)**

	<b>South Dakota Retirement System</b>	<b>Cement Plant Retirement System</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,348	\$ 2,938	\$ 9,286
Receivables:			
Employer	2,223		2,223
Employee	2,594		2,594
Benefits	62		62
Unsettled Investment Sales	27,807	237	28,044
Investment Income	18,341	127	18,468
Total Receivables	<u>51,027</u>	<u>364</u>	<u>51,391</u>
Investments, at Fair Value:			
Fixed Income	1,958,996	10,655	1,969,651
Equities	5,020,038	26,746	5,046,784
Real Estate	1,284,335	8,112	1,292,447
Private Equity	859,355	5,704	865,059
Total Investments	<u>9,122,724</u>	<u>51,217</u>	<u>9,173,941</u>
Due from brokers - futures transactions	1,870		1,870
Properties, at Cost	16		16
Accumulated Depreciation	(11)		(11)
Other Assets	21		21
Total Assets	<u>9,181,995</u>	<u>54,519</u>	<u>9,236,514</u>
<b>Liabilities</b>			
Payables:			
Accounts Payable and Other Liabilities	1,894		1,894
Due to Other Funds	43		43
Compensated Absences Payable	296		296
Securities Sold, But Not Yet Purchased, at Fair Value	55,977		55,977
Unsettled Investment Purchases	38,078	291	38,369
Total Liabilities	<u>96,288</u>	<u>291</u>	<u>96,579</u>
<b>Net Position</b>			
<b>Restricted for Pension Benefits</b>	<u>\$ 9,085,707</u>	<u>\$ 54,228</u>	<u>\$ 9,139,935</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	<b>South Dakota Retirement System</b>	<b>Cement Plant Retirement System</b>	<b>Total</b>
<b>Additions</b>			
<b>Contributions:</b>			
Employee	\$ 101,679	\$	\$ 101,679
Employer	100,376		100,376
Total Contributions	<u>202,055</u>	<u>0</u>	<u>202,055</u>
<b>Investment Income:</b>			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	1,278,300	7,389	1,285,689
Interest	74,194	475	74,669
Dividends	126,515	694	127,209
Real Estate	23,274	132	23,406
Securities Lending, Net	881	5	886
Investment Activity Income	1,503,164	8,695	1,511,859
Less Investment Activity Expenses	(35,666)	(193)	(35,859)
Net Investment Income (Loss)	<u>1,467,498</u>	<u>8,502</u>	<u>1,476,000</u>
Transfers From Other Funds		<u>2,000</u>	<u>2,000</u>
<b>Total Additions</b>	<u>1,669,553</u>	<u>10,502</u>	<u>1,680,055</u>
<b>Deductions</b>			
Benefits	397,620	3,831	401,451
Refunds of Contributions	25,161		25,161
Administrative Expenses	3,589	63	3,652
<b>Total Deductions</b>	<u>426,370</u>	<u>3,894</u>	<u>430,264</u>
Change in Net position	1,243,183	6,608	1,249,791
<b>Net Position at Beginning of Year</b>	<u>7,842,524</u>	<u>47,620</u>	<u>7,890,144</u>
<b>Net Position at End of Year</b>	<u>\$ 9,085,707</u>	<u>\$ 54,228</u>	<u>\$ 9,139,935</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**June 30, 2013**  
**(Expressed in Thousands)**

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 15,567	\$ 274	\$ 1,891	\$ 771	\$ 18,503
Receivables:					
Due from Other Funds			111		111
Investment Income	560			1	561
Other	10	12			22
Total Receivables	<u>570</u>	<u>12</u>	<u>111</u>	<u>1</u>	<u>694</u>
Investments, at Fair Value:					
Pooled Investment Funds	166,647				166,647
Total Investments	<u>166,647</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,647</u>
Properties, at Cost	13,868			10	13,878
Other Assets				6	6
Total Assets	<u>196,652</u>	<u>286</u>	<u>2,002</u>	<u>788</u>	<u>199,728</u>
<b>Liabilities</b>					
Payables:					
Accounts Payable and Other Liabilities	134	161		2	297
Due To Other Funds			153	24	177
Total Liabilities	<u>134</u>	<u>161</u>	<u>153</u>	<u>26</u>	<u>474</u>
<b>Net Position - Restricted For Others</b>	<u>\$ 196,518</u>	<u>\$ 125</u>	<u>\$ 1,849</u>	<u>\$ 762</u>	<u>\$ 199,254</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

<b>Additions</b>	<b>Common School</b>	<b>Child's Own</b>	<b>Corrections</b>	<b>Other</b>	<b>Total</b>
Contributions:					
From Clients and Inmates	\$	\$	\$ 6,988	\$ 1,483	\$ 8,471
Other	8,495				8,495
Total Contributions	<u>8,495</u>	<u>0</u>	<u>6,988</u>	<u>1,483</u>	<u>16,966</u>
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	21,445				21,445
Pooled Interest and Dividends	4,214	1		6	4,221
Securities Lending, Net	14				14
Net Investment Income (Loss)	<u>25,673</u>	<u>1</u>	<u>0</u>	<u>6</u>	<u>25,680</u>
Escheated Property	5				5
Miscellaneous Income	<u>3</u>	<u>727</u>		<u>33</u>	<u>763</u>
<b>Total Additions</b>	<u>34,176</u>	<u>728</u>	<u>6,988</u>	<u>1,522</u>	<u>43,414</u>
<b>Deductions</b>					
Distribution to School Districts	7,422				7,422
Payments made for Trust Purposes		750	7,271	1,432	9,453
Administrative Expenses				2	2
<b>Total Deductions</b>	<u>7,422</u>	<u>750</u>	<u>7,271</u>	<u>1,434</u>	<u>16,877</u>
Change in Net Position	26,754	(22)	(283)	88	26,537
<b>Net Position at Beginning of Year</b>	<u>169,764</u>	<u>147</u>	<u>2,132</u>	<u>674</u>	<u>172,717</u>
<b>Net Position at End of Year</b>	<u>\$ 196,518</u>	<u>\$ 125</u>	<u>\$ 1,849</u>	<u>\$ 762</u>	<u>\$ 199,254</u>



STATE OF SOUTH DAKOTA  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2013  
 (Expressed in Thousands)

<u>Assets</u>	<u>Department of Revenue - Tax Collections</u>	<u>Social Services - Child Support</u>	<u>State Auditor - Payroll Withholding</u>	<u>State Clerk of Courts</u>	<u>Other</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 25,279	\$ 1,643	\$ 7,179	\$ 7,091	\$ 1,557	\$ 42,749
Receivables:						
Taxes Receivable (net)	37,472					37,472
Due From Other Governments	413					413
Interest and Dividends Receivable	27				1	28
Other	308				38	346
Total Receivables	<u>38,220</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39</u>	<u>38,259</u>
<b>Total Assets</b>	<u>\$ 63,499</u>	<u>\$ 1,643</u>	<u>\$ 7,179</u>	<u>\$ 7,091</u>	<u>\$ 1,596</u>	<u>\$ 81,008</u>
<u>Liabilities</u>						
Payables:						
Accounts Payable and Other Liabilities	\$ 988	\$ 1,643	\$ 27	\$ 7,091	\$ 786	\$ 10,535
Refunds - Contractors Excise Tax	14,987					14,987
Due To Other Governments	47,524		7,152		810	55,486
<b>Total Liabilities</b>	<u>\$ 63,499</u>	<u>\$ 1,643</u>	<u>\$ 7,179</u>	<u>\$ 7,091</u>	<u>\$ 1,596</u>	<u>\$ 81,008</u>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

<b>Department of Revenue - Tax Collections</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 46,173	\$ 360,508	\$ 381,402	\$ 25,279
Accounts Receivable	1,165	308	1,165	308
Taxes Receivable (Net)	38,252	37,491	38,271	37,472
Interest and Dividends Receivable	37	27	37	27
Due From Other Governments	332	413	332	413
<b>Total Assets</b>	<b>\$ 85,959</b>	<b>\$ 398,747</b>	<b>\$ 421,207</b>	<b>\$ 63,499</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 2,277	\$ 231	\$ 1,520	\$ 988
Refunds - Contractors Excise Tax	33,785	765	19,563	14,987
Due To Other Governments	49,897	397,751	400,124	47,524
<b>Total Liabilities</b>	<b>\$ 85,959</b>	<b>\$ 398,747</b>	<b>\$ 421,207</b>	<b>\$ 63,499</b>
<b>Social Services - Child Support</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,933	\$ 108,243	\$ 108,533	\$ 1,643
<b>Total Assets</b>	<b>\$ 1,933</b>	<b>\$ 108,243</b>	<b>\$ 108,533</b>	<b>\$ 1,643</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 1,933	\$ 108,243	\$ 108,533	\$ 1,643
<b>Total Liabilities</b>	<b>\$ 1,933</b>	<b>\$ 108,243</b>	<b>\$ 108,533</b>	<b>\$ 1,643</b>
<b>State Auditor - Payroll Withholding</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 5,643	\$ 203,829	\$ 202,293	\$ 7,179
<b>Total Assets</b>	<b>\$ 5,643</b>	<b>\$ 203,829</b>	<b>\$ 202,293</b>	<b>\$ 7,179</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 28	\$ 2,247	\$ 2,248	\$ 27
Due To Other Governments	5,615	201,582	200,045	7,152
<b>Total Liabilities</b>	<b>\$ 5,643</b>	<b>\$ 203,829</b>	<b>\$ 202,293</b>	<b>\$ 7,179</b>
<b>State Clerk of Courts</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 6,047	\$ 14,535	\$ 13,491	\$ 7,091
<b>Total Assets</b>	<b>\$ 6,047</b>	<b>\$ 14,535</b>	<b>\$ 13,491</b>	<b>\$ 7,091</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 6,047	\$ 14,535	\$ 13,491	\$ 7,091
<b>Total Liabilities</b>	<b>\$ 6,047</b>	<b>\$ 14,535</b>	<b>\$ 13,491</b>	<b>\$ 7,091</b>



**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS (continued)  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

<b>Other Agency Funds</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,438	\$ 45,451	\$ 45,332	\$ 1,557
Accounts Receivable	60	38	60	38
Interest and Dividends Receivable	1	1	1	1
<b>Total Assets</b>	<b>\$ 1,499</b>	<b>\$ 45,490</b>	<b>\$ 45,393</b>	<b>\$ 1,596</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 648	\$ 44,073	\$ 43,935	\$ 786
Due To Other Governments	851	1,417	1,458	810
<b>Total Liabilities</b>	<b>\$ 1,499</b>	<b>\$ 45,490</b>	<b>\$ 45,393</b>	<b>\$ 1,596</b>
<b>Total All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 61,234	\$ 732,566	\$ 751,051	\$ 42,749
Accounts Receivable	1,225	346	1,225	346
Taxes Receivable (Net)	38,252	37,491	38,271	37,472
Interest and Dividends Receivable	38	28	38	28
Due From Other Governments	332	413	332	413
<b>Total Assets</b>	<b>\$ 101,081</b>	<b>\$ 770,844</b>	<b>\$ 790,917</b>	<b>\$ 81,008</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 10,933	\$ 169,329	\$ 169,727	\$ 10,535
Refunds - Contractors Excise Tax	33,785	765	19,563	14,987
Due To Other Governments	56,363	600,750	601,627	55,486
<b>Total Liabilities</b>	<b>\$ 101,081</b>	<b>\$ 770,844</b>	<b>\$ 790,917</b>	<b>\$ 81,008</b>

STATE OF SOUTH DAKOTA  
 COMBINING STATEMENT OF NET POSITION  
 COMPONENT UNITS  
 June 30, 2013  
 (Expressed in Thousands)

Assets	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 166,518	\$ 36,315	\$ 185,892	\$ 3,910	\$ 392,635
Receivables:					
Interest and Dividends	9,132	109	896	111	10,248
Primary Government			1,838		1,838
Other Governments			20,909		20,909
Loans and Notes (Net)	60,980		5,351	1,678	68,009
Other (Net)		1,029	21,078	58	22,165
Investments	36,250		13,318	2,395	51,963
Inventory	1,586	2,746	7,485		11,817
Other Assets	269	558	6,244		7,071
<b>Total Current Assets</b>	<b>274,735</b>	<b>40,757</b>	<b>263,011</b>	<b>8,152</b>	<b>586,655</b>
Investments	557,874		353,284	964	912,122
Assets Held for Resale				6,324	6,324
<b>Restricted Assets:</b>					
Cash and Cash Equivalents			11,504	51	11,555
Investments			44,308	6,034	50,342
Other			10,962		10,962
<b>Capital Assets:</b>					
Land and Other Non-depreciable Assets	220	18,365	37,013	197	55,795
Property, Plant and Equipment	10,167	47,899	1,275,571	4	1,333,641
Accumulated Depreciation	(3,756)	(1,607)	(506,933)	(3)	(512,299)
Construction in Progress		4,141	75,717	5,864	85,722
<b>Total Capital Assets</b>	<b>6,631</b>	<b>68,798</b>	<b>881,368</b>	<b>6,062</b>	<b>962,859</b>
Other Noncurrent Assets (net)	1,082,366		80,758	18,592	1,181,716
<b>Total Assets</b>	<b>1,921,606</b>	<b>109,555</b>	<b>1,645,195</b>	<b>46,179</b>	<b>3,722,535</b>
<b>Deferred Outflows of Resources</b>					
Deferred Swap Outflow	24,584				24,584
<b>Total Deferred Outflows of Resources</b>	<b>24,584</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,584</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Liabilities	668	886	44,302	1,803	47,659
Payable To:					
Primary Government	36		1,530		1,566
Escrow Payable	14,535				14,535
Bonds, Notes and Leases Payable	46,151	166	22,850	1,702	70,869
Claims, Judgments and Compensated Absences	127	278	11,553		11,958
Accrued Interest Payable	8,207		3,912	282	12,401
Unearned Revenue			8,314		8,314
Other Current Liabilities			19,123	123	19,246
<b>Total Current Liabilities</b>	<b>69,724</b>	<b>1,330</b>	<b>111,584</b>	<b>3,910</b>	<b>186,548</b>
<b>Noncurrent Liabilities:</b>					
Bonds, Notes and Leases Payable	1,381,275	636	418,327	22,772	1,823,010
Claims, Judgments and Compensated Absences	518	278	25,803		26,599
Federal Capital Contribution Refundable Advance			37,828		37,828
Advances to Component Units				3,326	3,326
Hedging Derivatives	24,584				24,584
Other Noncurrent Liabilities	168		24,166	1,086	25,420
<b>Total Noncurrent Liabilities</b>	<b>1,406,545</b>	<b>914</b>	<b>506,124</b>	<b>27,184</b>	<b>1,940,767</b>
<b>Total Liabilities</b>	<b>1,476,269</b>	<b>2,244</b>	<b>617,708</b>	<b>31,094</b>	<b>2,127,315</b>
<b>Deferred Inflows of Resources</b>					
Deferred Forward Contract Inflow	269				269
<b>Total Deferred Inflows of Resources</b>	<b>269</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>269</b>
<b>Net Position</b>					
Net Investment In Capital Assets	132	67,995	465,961	1,291	535,379
Restricted For:					
Debt Service	397,761		3,817	5,000	406,578
HOME and NSP Program	64,666				64,666
Higher Education - Expendable			151,308		151,308
Higher Education - Nonexpendable			332,311		332,311
Interim Lab		3,384			3,384
Sanford Center for Science Education		20,000			20,000
Indemnification		10,000			10,000
Land Development				250	250
Other	7,093	1,348			8,441
Unrestricted		4,584	74,090	8,544	87,218
<b>Total Net Position</b>	<b>\$ 469,652</b>	<b>\$ 107,311</b>	<b>\$ 1,027,487</b>	<b>\$ 15,085</b>	<b>\$ 1,619,535</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	<b>Business-type Activities</b>				<b>Total</b>
	<b>Housing Authority</b>	<b>Science and Technology Authority</b>	<b>Higher Education</b>	<b>Nonmajor</b>	
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of \$35,199)	\$	\$	\$ 220,761	\$	\$ 220,761
Use of Money and Property	51,563			1,212	52,775
Sales and Services (net of discounts and allowances for scholarships of Higher Education of \$9,769)		196	98,212		98,408
Administering Programs	31,937	14,622	141,389	1,014	188,962
Other Revenue	6,922	75	70,608		77,605
Total Operating Revenue	<u>90,422</u>	<u>14,893</u>	<u>530,970</u>	<u>2,226</u>	<u>638,511</u>
Operating Expenses:					
Personal Services and Benefits	3,302	9,657	381,278		394,237
Travel	171	151	16,966	10	17,298
Contractual Services	4,365	3,710	97,580	593	106,248
Supplies and Materials	130	2,054	62,715	47	64,946
Grants and Subsidies	29,263		40,497	867	70,627
Other	2,035		7,082		9,117
Interest	54,549		81	1,171	55,801
Depreciation/Amortization	3,268	1,607	41,827	3	46,705
Total Operating Expenses	<u>97,083</u>	<u>17,179</u>	<u>648,026</u>	<u>2,691</u>	<u>764,979</u>
Operating Income (Loss)	(6,661)	(2,286)	(117,056)	(465)	(126,468)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets		(282)	(402)		(684)
Interest Income		362	34,424	44	34,830
Interest Expense			(20,647)	(12)	(20,659)
Other Expense			(13,575)		(13,575)
State Aid from Primary Government			176,294		176,294
Federal Appropriation			8,166		8,166
Grant and Other Income			5,008	2	5,010
Total Nonoperating Revenue (Expenses)	<u>0</u>	<u>80</u>	<u>189,268</u>	<u>34</u>	<u>189,382</u>
Income (Loss) Before Capital Grants and Additions to Endowments	(6,661)	(2,206)	72,212	(431)	62,914
Capital Grants		15,124	12,980		28,104
Additions to Endowments			11,097		11,097
Change in Net Position	(6,661)	12,918	96,289	(431)	102,115
Net Position At Beginning of Year, as reatated	<u>476,313</u>	<u>94,393</u>	<u>931,198</u>	<u>15,516</u>	<u>1,517,420</u>
Net Position at End of Year	<u>\$ 469,652</u>	<u>\$ 107,311</u>	<u>\$ 1,027,487</u>	<u>\$ 15,085</u>	<u>\$ 1,619,535</u>

**STATE OF SOUTH DAKOTA  
STATEMENT OF CASH FLOWS  
HIGHER EDUCATION  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	<b>Higher Education</b>
Cash Flows from Operating Activities:	
Tuition and Fees	\$ 217,046
Auxiliaries	57,644
Sales & Services - General	39,698
Federal Contracts & Grants	114,895
State Contracts & Grants	6,909
Private Contracts & Grants	20,920
Other Revenue and Additions	59
Loans Issued to Students	(5,043)
Perkins Loans Collected from Students	4,620
Student Loan Interest	586
Payments for Personal Services Expenditures	(366,202)
Payments for Travel Expenditures	(16,026)
Payments for Contractual Expenditures	(92,985)
Payments for Supply Expenditures and Non-Capitalized Equipment	(60,849)
Payments for Grant and Subsidy Expenditures	(40,919)
Payments for Other Expenditures	(97)
Foundation Activity	2,740
Net Cash Provided (Used) by Operating Activities	<u>(117,004)</u>
Cash Flows from Noncapital Financing Activities:	
General Fund Appropriations	176,295
School & Public Lands	1,707
Federal Fund Appropriations	6,749
Endo/Ecto Tax	779
Federal loan Disbursements	(171,367)
Federal Loan Receipts	171,367
Private Loan Disbursements	(6,757)
Private Loan Receipts	6,757
Federal Capital Contribution - Student Loan	31
Other Revenues & Additions	2,240
Payments for Other Expenditures	48
Foundation Activity	23,567
Net Cash Provided (Used) by Noncapital Financing Activities	<u>211,416</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Grants & Contracts	9,362
Build America Bond Subsidy	1,702
South Dakota Building Authority Funding	8,290
Proceeds from Capital Debt (Leases)	23,750
Revenue Bond Discounts and Related Costs	(1,689)
Principal Paid on Capital Debt and Leases	(37,927)
Interest Paid on Capital Debt and Leases	(20,860)
Purchase of Capital Assets	(98,544)
Foundation Activity	(243)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(116,159)</u>
Cash Flows from Investing Activities:	
Investment Income	1,605
Sale of Investment	4
Foundation Activity	(6,291)
Net Cash Provided (Used) by Investing Activities	<u>(4,682)</u>
Net Increase (Decrease) in Cash and Cash Equivalents during the Fiscal Year	(26,429)
Cash and Cash Equivalents at Beginning of Year	223,824
Cash and Cash Equivalents at End of Year	<u>\$ 197,395</u>

Continued on next page

**STATE OF SOUTH DAKOTA  
STATEMENT OF CASH FLOWS  
HIGHER EDUCATION  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

	<u>Higher Education</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	\$ (117,056)
Adjustments to Reconcile Operating Income (Loss):	
Depreciation Expense	41,827
Bad Debt Expense	111
Loan Cancellation Expense	815
Foundation Activity	(50,060)
Decrease/(Increase) in Assets:	
Accounts Receivable Students	(688)
Accounts Receivable - Dept	(663)
Interest Receivable	27
Notes Receivable	(1,149)
Due From Federal Sources	1,817
Due From Primary Govt	(349)
Prepaid Expense and Deferred Charges	(466)
Contributions / Pledges Receivable	(123)
Inventory	138
Other Assets	45
Increase/(Decrease) in Liabilities:	
Accounts Payable	(1,178)
Accrued Wages & Benefits	7,129
Due to Federal Sources	(231)
Due to Primary Government	396
Student Deposits	86
Compensated Absences	1,290
Deferred Revenue	(74)
Agency Funds Held for Others	18
Other Non-Current Liabilities	1,334
Net Cash Provided (Used) by Operating Activities	<u>\$ (117,004)</u>
Noncash Investing, Capital and Financing Activities:	
Transfers In (Out) of Fixed Assets	\$ 2,070

STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR COMPONENT UNITS  
June 30, 2013  
(Expressed in Thousands)

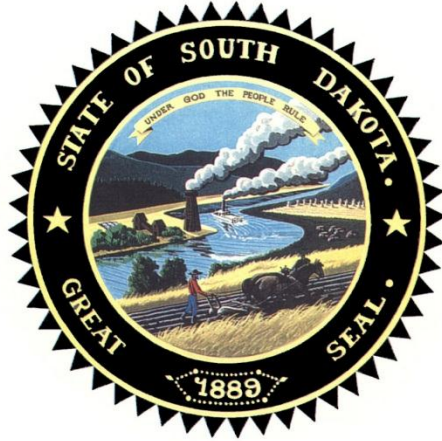
	Business-type Activities				Total
	Finance Authority	CREP Program	Value Added Finance Authority	S.D. Ellsworth Development Authority	
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 2,053	\$ 50	\$ 1,541	\$ 266	\$ 3,910
Receivables:					
Interest and Dividends	111				111
Loans and Notes (Net)	1,580	14	84		1,678
Other (Net)	9	2		47	58
Investments	2,395				2,395
Total Current Assets	<u>6,148</u>	<u>66</u>	<u>1,625</u>	<u>313</u>	<u>8,152</u>
Investments	964				964
Assets Held for Resale				6,324	6,324
Restricted Assets:					
Cash and Cash Equivalents	51				51
Investments	6,034				6,034
Capital Assets:					
Land and Other Non-depreciable Assets				197	197
Property, Plant and Equipment				4	4
Accumulated Depreciation				(3)	(3)
Construction in Progress				5,864	5,864
Total Capital Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,062</u>	<u>6,062</u>
Other Noncurrent Assets (net)	<u>18,381</u>		<u>157</u>	<u>54</u>	<u>18,592</u>
<b>Total Assets</b>	<u>31,578</u>	<u>66</u>	<u>1,782</u>	<u>12,753</u>	<u>46,179</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable and Other Liabilities	15	1		1,787	1,803
Bonds, Notes and Leases Payable	1,221		52	429	1,702
Accrued Interest Payable	274		8		282
Other Current Liabilities	119			4	123
Total Current Liabilities	<u>1,629</u>	<u>1</u>	<u>60</u>	<u>2,220</u>	<u>3,910</u>
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	19,963		1,189	1,620	22,772
Advances from Primary Government				3,326	3,326
Other Noncurrent Liabilities	1,086				1,086
Total Noncurrent Liabilities	<u>21,049</u>		<u>1,189</u>	<u>4,946</u>	<u>27,184</u>
<b>Total Liabilities</b>	<u>22,678</u>	<u>1</u>	<u>1,249</u>	<u>7,166</u>	<u>31,094</u>
<b>Net Position</b>					
Net Investment in Capital Assets				1,291	1,291
Restricted For:					
Debt Service	5,000				5,000
Land Development				250	250
Unrestricted	3,900	65	533	4,046	8,544
<b>Total Net Position</b>	<u>\$ 8,900</u>	<u>\$ 65</u>	<u>\$ 533</u>	<u>\$ 5,587</u>	<u>\$ 15,085</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**NONMAJOR COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2013**  
**(Expressed in Thousands)**

	<b>Business-type Activities</b>				<b>Total</b>
	<b>Finance Authority</b>	<b>CREP Program</b>	<b>Value Added Finance Authority</b>	<b>S.D. Ellsworth Development Authority</b>	
Operating Revenue:					
Use of Money and Property	\$ 1,195	\$ 1	\$ 16	\$	\$ 1,212
Administering Programs				1,014	1,014
Total Operating Revenue	<u>1,195</u>	<u>1</u>	<u>16</u>	<u>1,014</u>	<u>2,226</u>
Operating Expenses:					
Travel				10	10
Contractual Services	69	11		513	593
Supplies and Materials				47	47
Grant and Subsidies				867	867
Interest	1,146			25	1,171
Depreciation/Amortization				3	3
Total Operating Expenses	<u>1,215</u>	<u>11</u>	<u>0</u>	<u>1,465</u>	<u>2,691</u>
Operating Income (Loss)	(20)	(10)	16	(451)	(465)
Nonoperating Revenue (Expenses):					
Interest Income	44				44
Interest Expense			(12)		(12)
Grant and Other Income			2		2
Total Nonoperating Revenue (Expenses)	<u>44</u>	<u>0</u>	<u>(10)</u>	<u>0</u>	<u>34</u>
Change in Net Position	24	(10)	6	(451)	(431)
Net Position At Beginning of Year	<u>8,876</u>	<u>75</u>	<u>527</u>	<u>6,038</u>	<u>15,516</u>
Net Position at End of Year	<u>\$ 8,900</u>	<u>\$ 65</u>	<u>\$ 533</u>	<u>\$ 5,587</u>	<u>\$ 15,085</u>







---

***STATISTICAL SECTION***

---

*South Dakota*



GREAT FACES. GREAT PLACES. ©

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

(accrual basis of accounting, dollars in thousands)

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>Governmental activities:</b>					
Net Investment in capital assets	\$ 3,548,433	\$ 3,480,152	\$ 3,300,829	\$ 3,211,673	\$ 3,101,101
Restricted	1,241,520	1,114,366	1,144,456	1,004,704	897,491
Unrestricted	202,835	158,316	95,317	79,854	67,523
<b>Total governmental activities net position</b>	<b>\$ 4,992,788</b>	<b>\$ 4,752,834</b>	<b>\$ 4,540,602</b>	<b>\$ 4,296,231</b>	<b>\$ 4,066,115</b>
<b>Business-type activities</b>					
Net Investment in capital assets	\$ 4,379	\$ 3,893	\$ 4,360	\$ 4,863	\$ 2,299
Restricted	916	891	1,931	2,138	302,713
Unrestricted	545,751	520,208	498,567	445,444	102,607
<b>Total business-type activities net position</b>	<b>\$ 551,046</b>	<b>\$ 524,992</b>	<b>\$ 504,858</b>	<b>\$ 452,445</b>	<b>\$ 407,619</b>
<b>Primary government</b>					
Net Investment in capital assets	\$ 3,552,812	\$ 3,484,045	\$ 3,305,189	\$ 3,216,536	\$ 3,103,400
Restricted	1,242,436	1,115,257	1,146,387	1,006,842	1,200,204
Unrestricted	748,586	678,524	593,884	525,298	170,130
<b>Total primary government net position</b>	<b>\$ 5,543,834</b>	<b>\$ 5,277,826</b>	<b>\$ 5,045,460</b>	<b>\$ 4,748,676</b>	<b>\$ 4,473,734</b>

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Governmental activities:</b>					
Net Investment in capital assets	\$ 3,053,427	\$ 2,947,980	\$ 2,829,173	\$ 2,690,656	\$ 2,572,130
Restricted	1,032,035	1,091,917	1,012,357	280,219	253,780
Unrestricted	67,587	70,308	85,670	821,458	804,023
<b>Total governmental activities net position</b>	<b>\$ 4,153,049</b>	<b>\$ 4,110,205</b>	<b>\$ 3,927,200</b>	<b>\$ 3,792,333</b>	<b>\$ 3,629,933</b>
<b>Business-type activities</b>					
Net Investment in capital assets	\$ 2,565	\$ 2,829	\$ 3,184	\$ 2,817	\$ 2,737
Restricted	284,272	284,322	262,293	227,167	215,957
Unrestricted	122,595	94,300	89,879	95,195	95,578
<b>Total business-type activities net position</b>	<b>\$ 409,432</b>	<b>\$ 381,451</b>	<b>\$ 355,356</b>	<b>\$ 325,179</b>	<b>\$ 314,272</b>
<b>Primary government</b>					
Net Investment in capital assets	\$ 3,055,992	\$ 2,950,809	\$ 2,832,357	\$ 2,693,473	\$ 2,574,867
Restricted	1,316,307	1,376,239	1,274,650	507,386	469,737
Unrestricted	190,182	164,608	175,549	916,653	899,601
<b>Total primary government net position</b>	<b>\$ 4,562,481</b>	<b>\$ 4,491,656</b>	<b>\$ 4,282,556</b>	<b>\$ 4,117,512</b>	<b>\$ 3,944,205</b>

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2004-2013).

**Note:** (a) The increase in restricted net position 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 Position,**  
**Last Ten Fiscal Years**  
(accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 169,843	\$ 164,005	\$ 157,405	\$ 146,193	\$ 170,900	\$ 175,272	\$ 194,266	\$ 175,826	\$ 131,411	\$ 131,737
Education - Elementary, Secondary and Vocational Schools	201,177	211,413	218,959	212,919	195,534	200,226	186,599	191,460	176,700	156,652
Education - State Support to Higher Education	176,294	171,701	185,757	182,681	196,007	170,348	160,725	149,040	143,358	137,028
Health, Human and Social Services	1,367,355	1,354,764	1,354,829	1,337,922	1,200,436	1,127,618	1,043,771	1,012,533	978,950	903,644
Law, Justice, Public Protection and Regulation	277,223	286,127	286,824	241,217	243,805	233,676	232,526	212,600	200,024	180,802
Agriculture and Natural Resources	144,245	130,279	151,116	130,943	118,686	114,783	123,135	109,904	100,275	96,077
Commerce and Regulation	-	-	-	-	-	-	-	-	-	-
Economic Resources	43,300	40,865	51,157	52,966	45,006	47,226	39,371	58,235	42,419	37,260
Transportation	537,497	482,400	508,548	457,081	408,482	316,113	362,680	316,125	320,379	336,259
Intergovernmental - Payments to School Districts	394,857	375,008	412,310	405,947	400,162	376,843	346,582	338,008	337,507	326,559
Intergovernmental - Revenue Sharing	141,514	122,320	100,493	103,425	99,064	103,633	101,669	99,171	87,105	82,878
Unallocated Interest Expense	14,537	17,393	18,711	19,820	21,514	22,805	23,191	23,998	24,599	25,410
Unallocated Depreciation	53	53	58	58	58	58	58	58	53	53
<b>Total Governmental activities expenses</b>	<b>3,467,895</b>	<b>3,356,328</b>	<b>3,446,167</b>	<b>3,291,172</b>	<b>3,099,654</b>	<b>2,888,601</b>	<b>2,814,573</b>	<b>2,686,958</b>	<b>2,542,780</b>	<b>2,414,359</b>
<b>Business-type activities:</b>										
Lottery	44,114	39,877	36,775	35,411	32,767	33,419	31,404	32,409	27,516	28,034
Clean Water State Revolving	10,898	16,406	11,109	4,455	4,777	4,486	3,996	3,286	1,114	1,616
Drinking Water State Revolving	10,337	10,936	11,964	5,066	3,253	2,855	2,720	2,574	1,976	1,253
Other	81,648	92,096	100,406	125,993	89,451	54,688	56,247	60,613	63,057	61,464
<b>Total business-type activities expenses</b>	<b>146,997</b>	<b>159,315</b>	<b>160,254</b>	<b>170,925</b>	<b>130,248</b>	<b>95,448</b>	<b>94,367</b>	<b>98,882</b>	<b>93,663</b>	<b>92,367</b>
<b>Total primary government expenses</b>	<b>\$ 3,614,892</b>	<b>\$ 3,515,643</b>	<b>\$ 3,606,421</b>	<b>\$ 3,462,097</b>	<b>\$ 3,229,902</b>	<b>\$ 2,984,049</b>	<b>\$ 2,908,940</b>	<b>\$ 2,785,840</b>	<b>\$ 2,636,443</b>	<b>\$ 2,506,726</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	\$ 212,529	\$ 194,439	\$ 170,598	\$ 166,457	\$ 158,248	\$ 147,597	\$ 142,225	\$ 137,188	\$ 130,213	\$ 124,877
Education - Elementary, Secondary and Vocational Schools	7,888	6,147	5,843	6,204	2,489	3,451	4,137	4,055	2,024	1,776
Education - State Support to Higher Education	-	-	-	-	-	-	-	-	-	-
Health, Human and Social Services	38,098	33,030	36,256	36,758	25,865	25,858	25,506	30,665	25,589	25,104
Law, Justice, Public Protection and Regulation	80,750	66,235	60,555	57,213	50,888	50,335	49,435	44,624	42,534	38,491
Agriculture and Natural Resources	72,972	69,331	67,815	64,940	61,572	65,783	54,403	52,962	48,436	53,609
Commerce and Regulation	-	-	-	-	-	-	-	-	-	-
Economic Resources	3,064	3,268	1,332	1,796	2,379	2,011	1,788	2,183	1,752	1,806
Transportation	6,682	7,514	7,776	6,301	6,052	6,815	6,007	13,718	8,510	9,177
Operating grants and contributions	1,588,413	1,670,046	1,838,312	1,768,957	1,447,753	1,246,925	1,258,548	1,205,317	1,197,637	1,134,512
Capital grants and contributions	1,046	1,608	3,945	2,275	2,519	25,395	1,000	6,570	6,564	9,224
<b>Total governmental activities program revenues</b>	<b>2,011,442</b>	<b>2,051,618</b>	<b>2,192,432</b>	<b>2,110,901</b>	<b>1,757,765</b>	<b>1,574,170</b>	<b>1,543,049</b>	<b>1,497,282</b>	<b>1,463,259</b>	<b>1,390,272</b>
<b>Business-type activities:</b>										
Charges for Services:										
Lottery	151,414	143,078	144,460	154,669	152,590	156,241	152,697	151,647	143,976	144,091
Clean Water State Revolving	5,277	5,677	6,014	5,781	4,954	4,826	4,479	3,659	3,441	3,152
Drinking Water State Revolving	4,321	4,922	4,807	3,997	3,696	3,582	3,460	2,773	2,102	1,585
Other	85,946	94,455	112,210	119,048	60,925	59,152	54,166	57,684	50,952	45,577
Operating grants and contributions	30,519	30,910	52,926	50,927	26,272	21,879	26,262	30,098	22,606	31,995
<b>Total business-type activities program revenues</b>	<b>277,477</b>	<b>279,042</b>	<b>320,417</b>	<b>334,422</b>	<b>248,437</b>	<b>245,680</b>	<b>241,064</b>	<b>245,861</b>	<b>223,077</b>	<b>226,400</b>
<b>Total primary government program revenues</b>	<b>\$ 2,288,919</b>	<b>\$ 2,330,660</b>	<b>\$ 2,512,849</b>	<b>\$ 2,445,323</b>	<b>\$ 2,006,202</b>	<b>\$ 1,819,850</b>	<b>\$ 1,784,113</b>	<b>\$ 1,743,143</b>	<b>\$ 1,686,336</b>	<b>\$ 1,616,674</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (1,456,453)	\$ (1,304,710)	\$ (1,253,735)	\$ (1,180,271)	\$ (1,341,889)	\$ (1,314,431)	\$ (1,271,524)	\$ (1,189,676)	\$ (1,079,521)	\$ (1,024,085)
Business-type activities	130,480	119,727	160,163	163,497	118,189	150,232	146,697	146,979	129,414	134,033
<b>Total primary government net (expense)/revenue</b>	<b>\$ (1,325,973)</b>	<b>\$ (1,184,983)</b>	<b>\$ (1,093,572)</b>	<b>\$ (1,016,774)</b>	<b>\$ (1,223,700)</b>	<b>\$ (1,164,199)</b>	<b>\$ (1,124,827)</b>	<b>\$ (1,042,697)</b>	<b>\$ (950,107)</b>	<b>\$ (890,052)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
Sales taxes	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,705
Motor fuel taxes	139,048	130,864	130,542	127,807	124,442	125,005	146,851	145,415	153,846	156,212
Contractors excise taxes	94,967	90,636	66,518	85,973	71,533	79,137	81,069	76,979	66,555	60,322
Bank card and franchise taxes	49,493	32,941	16,954	16,674	55,260	62,036	76,497	65,187	51,281	47,458
Other taxes	299,726	297,750	266,415	273,535	261,176	264,944	211,452	183,236	184,452	179,866
Investment Earnings	130,881	29,925	143,106	101,246	(91,586)	(18,946)	137,568	60,956	81,543	54,190
Gain on sale of capital assets	2,127	3,915	819	526	919	1,135	1,305	42,344	1,747	398
Miscellaneous	76,047	51,652	41,519	36,625	52,288	41,805	39,667	35,493	32,526	33,854
Transfers	104,426	100,257	107,750	118,671	120,002	122,251	120,065	117,703	118,507	112,762
<b>Total governmental activities</b>	<b>1,699,415</b>	<b>1,516,942</b>	<b>1,515,078</b>	<b>1,424,203</b>	<b>1,269,686</b>	<b>1,345,490</b>	<b>1,439,607</b>	<b>1,324,543</b>	<b>1,245,104</b>	<b>1,169,767</b>
<b>Business-type activities:</b>										
Transfers	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)	(120,065)	(117,703)	(118,507)	(112,762)
<b>Total business-type activities</b>	<b>(104,426)</b>	<b>(100,257)</b>	<b>(107,750)</b>	<b>(118,671)</b>	<b>(120,002)</b>	<b>(122,251)</b>	<b>(120,065)</b>	<b>(117,703)</b>	<b>(118,507)</b>	<b>(112,762)</b>
<b>Total primary government</b>	<b>\$ 1,594,989</b>	<b>\$ 1,416,685</b>	<b>\$ 1,407,328</b>	<b>\$ 1,305,532</b>	<b>\$ 1,149,684</b>	<b>\$ 1,223,239</b>	<b>\$ 1,319,542</b>	<b>\$ 1,206,840</b>	<b>\$ 1,126,597</b>	<b>\$ 1,057,005</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 242,962	\$ 212,232	\$ 261,343	\$ 243,932	\$ (72,203)	\$ 31,059	\$ 168,083	\$ 134,867	\$ 165,583	\$ 145,682
Business-type activities	26,054	19,470	52,413	44,826	(1,813)	27,981	26,632	29,276	10,907	21,271
<b>Total primary government</b>	<b>\$ 269,016</b>	<b>\$ 231,702</b>	<b>\$ 313,756</b>	<b>\$ 288,758</b>	<b>\$ (74,016)</b>	<b>\$ 59,040</b>	<b>\$ 194,715</b>	<b>\$ 164,143</b>	<b>\$ 176,490</b>	<b>\$ 166,953</b>

Source South Dakota Comprehensive Annual Financial Reports (FY 2004-2013).

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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>General Fund (Per GASB 54):</b>										
Non-Spendable	\$ 3,419	\$ 2,916	\$ 3,148							
Restricted	1,018									
Committed										
Assigned	126,872	140,706	148,137							
Unassigned	186,444	147,445	136,018							
<b>Total General Fund</b>	<b>\$ 317,753</b>	<b>\$ 291,067</b>	<b>\$ 287,303</b>							
<b>Other Governmental Funds (Per GASB 54):</b>										
Non-Spendable	\$ 717,108	\$ 706,054	\$ 683,786							
Restricted	551,014	460,450	493,638							
Committed	43,993	38,930	36,844							
Assigned	49,758	43,815	34,684							
Unassigned	(1,462)	(2,931)	(18,859)							
<b>Total Other Governmental Funds</b>	<b>\$ 1,360,411</b>	<b>\$ 1,246,318</b>	<b>\$ 1,230,093</b>							
<b>General Fund (Prior to GASB 54):</b>										
Reserved			\$ 21,104	\$ 21,215	\$ 31,139	\$ 32,581	\$ 22,993	\$ 23,326	\$ 18,771	
Unreserved			133,962	131,363	138,883	142,809	142,505	128,781	118,800	
<b>Total General Fund</b>			<b>\$ 155,066</b>	<b>\$ 152,578</b>	<b>\$ 170,022</b>	<b>\$ 175,390</b>	<b>\$ 165,498</b>	<b>\$ 152,107</b>	<b>\$ 137,571</b>	
<b>Other Governmental Funds (Prior to GASB 54):</b>										
Reserved			\$ 873,931	\$ 872,653	\$ 886,761	\$ 848,892	\$ 836,770	\$ 190,036	\$ 203,256	
Unreserved, Reported in:										
Special Revenue Funds			332,270	232,200	342,384	446,152	394,636	1,070,412	1,056,614	
Capital Projects Funds			148	2,484	2,460	7,084	10,068	3,140	420	
<b>Total Other Governmental Funds</b>			<b>\$ 1,206,349</b>	<b>\$ 1,107,337</b>	<b>\$ 1,231,605</b>	<b>\$ 1,302,128</b>	<b>\$ 1,241,474</b>	<b>\$ 1,263,588</b>	<b>\$ 1,260,290</b>	

**Note:** The State of South Dakota implemented GASB Statement 54 in Fiscal Year 2011, which significantly changed the fund balance classifications. Fiscal Year 2013 fund balance classifications are not comparable to classifications to years prior to 2011.

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2004-2013).

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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>										
Taxes										
Sales & Use	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123	\$ 625,133	\$ 597,230	\$ 554,647	\$ 524,706
Insurance Company	70,740	66,679	61,799	62,499	61,669	60,930	55,900	55,810	56,295	52,623
Liquor	15,835	14,519	14,953	14,247	14,782	13,044	13,138	12,602	12,349	12,281
Cigarette	51,940	50,704	46,700	62,918	56,607	57,160	43,998	26,689	26,246	26,270
Bank Franchise	49,493	32,941	16,954	16,674	55,260	62,036	76,497	65,187	51,281	47,458
Contractor's Excise	94,967	90,636	66,518	85,973	71,533	79,137	81,069	76,980	66,555	60,322
Severance	9,141	15,153	9,748	9,229	7,972	6,847	5,160	4,422	3,060	1,989
Other Tobacco	6,562	6,495	6,075	4,912	6,273	5,368	2,230	1,460	1,456	1,341
Motor Fuel & Vehicle	212,521	206,259	192,198	184,953	179,125	187,654	176,788	171,095	179,424	181,935
Other	72,018	68,807	65,482	62,584	59,190	59,005	61,088	56,573	59,462	59,639
Licenses, Permits & Fees	252,420	225,803	202,449	197,006	180,337	175,989	166,133	159,597	150,695	144,392
Fines, Forfeits & Penalties	16,189	13,490	12,142	11,306	11,327	11,141	8,637	7,397	8,601	7,549
Use of Money & Property	153,479	42,881	162,577	123,020	(77,407)	(2,123)	160,057	86,306	96,156	66,892
Sales & Services	37,679	34,290	32,499	32,659	35,114	33,885	31,764	27,204	26,645	26,267
Admin. Programs	1,573,326	1,657,602	1,820,205	1,745,559	1,434,664	1,222,191	1,232,755	1,195,842	1,185,536	1,125,402
Tobacco Settlement	24,128	24,135	23,673	25,175	29,986	27,616	21,369	20,415	22,239	21,911
Other Revenue	65,272	42,676	40,008	33,437	27,858	26,215	27,864	32,442	24,409	24,817
<b>Total Revenues</b>	<b>3,508,410</b>	<b>3,372,072</b>	<b>3,515,435</b>	<b>3,335,297</b>	<b>2,829,942</b>	<b>2,694,218</b>	<b>2,789,580</b>	<b>2,597,251</b>	<b>2,525,056</b>	<b>2,385,794</b>
<b>Expenditures</b>										
General Government	74,394	73,714	70,493	71,532	76,533	76,431	79,349	76,734	71,221	63,634
Education	782,276	778,707	832,936	816,454	787,670	743,024	690,874	675,100	653,690	616,440
Health, Human & Social Services	1,364,933	1,351,100	1,350,402	1,364,846	1,222,021	1,124,311	1,038,035	1,010,287	976,328	903,694
Law, Justice, Public Protection & Regulation	280,691	303,237	311,583	263,499	240,601	231,559	224,404	232,803	211,421	195,300
<b>Agriculture &amp; Natural Resources</b>	139,861	138,598	155,064	132,683	125,640	123,257	123,367	109,781	100,920	97,095
Economic Resources	43,108	40,553	50,986	52,872	44,940	46,893	39,124	57,981	42,436	37,354
Transportation	604,048	625,661	576,777	495,796	448,159	400,200	492,073	477,845	440,681	390,903
State Shared Revenue	141,514	122,320	100,493	103,425	99,064	103,633	101,669	99,171	87,105	82,878
Capital Outlay	387	4,773	4,381	2,336	2,172	4,622	8,982			1
Debt Service:										
Principal	30,059	25,622	22,225	22,958	26,951	24,582	21,419	15,704	16,955	16,528
Interest	13,896	16,219	17,504	18,550	20,174	21,542	21,832	22,980	23,501	24,426
Bond Issuance Costs	1,817									
Payment to Refunded Bond Escrow Agent	8,016									
<b>Total Expenditures</b>	<b>3,485,000</b>	<b>3,480,504</b>	<b>3,492,844</b>	<b>3,344,951</b>	<b>3,093,925</b>	<b>2,900,054</b>	<b>2,841,128</b>	<b>2,778,386</b>	<b>2,624,258</b>	<b>2,428,253</b>
Excess of Revenues Over (Under) Expenditures	23,410	(108,432)	22,591	(9,654)	(263,983)	(205,836)	(51,548)	(181,135)	(99,202)	(42,459)
<b>Other Financing Sources (Uses):</b>										
Capital Leases	12,605	23,770	19,465							
Insurance Proceeds		222		809						
Bonds Issued			9,505		2,175		5,950	10,000	12,635	
Premiums on Bond Issuance			154		44		15	280		
Discount on Bond Issuances									(80)	
Proceeds of Refunding Bonds	169,645		801				25,855	2,864		
Premiums on Refunding Bonds	9,026		24				1,165	149	10	
Proceeds from Sale of Capital Assets	5,154	6,096	1,588	4,963	3,296	2,757	2,707	10,799		
Payments to Refunded Bond Escrow Agent	(176,854)		(741)				(26,715)	(2,932)		
Transfers In	254,094	270,315	237,968	413,897	383,285	436,670	370,854	415,783	361,842	295,628
Transfers Out	(150,699)	(171,982)	(135,374)	(294,699)	(265,348)	(311,538)	(257,737)	(298,868)	(244,727)	(183,247)
<b>Net Other Financing Sources (Uses)</b>	<b>122,971</b>	<b>128,421</b>	<b>133,390</b>	<b>124,970</b>	<b>123,452</b>	<b>127,889</b>	<b>122,094</b>	<b>138,075</b>	<b>129,680</b>	<b>112,381</b>
Special Item										
Sale of Railroad Infrastructure								34,337		
Total Special Items	0	0	0	0	0	0	0	34,337	0	0
<b>Net Change in Fund Balances</b>	<b>\$ 146,381</b>	<b>\$ 19,989</b>	<b>\$ 155,981</b>	<b>\$ 115,316</b>	<b>\$ (140,531)</b>	<b>\$ (77,947)</b>	<b>\$ 70,546</b>	<b>\$ (8,723)</b>	<b>\$ 30,478</b>	<b>\$ 69,922</b>
Debt Service as a Percentage of Noncapital Expenditures	1.63%	1.31%	1.21%	1.30%	1.63%	1.71%	1.67%	1.51%	1.62%	1.82%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2004-2013).

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

	Fiscal Year				
	2013	2012	2011	2010	2009
<b>Taxable Sales by Industry</b>					
Agriculture, Forestry, and Fishing	\$ 253,605	\$ 241,819	\$ 224,548	\$ 206,139	\$ 206,927
Mining	102,408	112,925	95,566	62,308	106,421
Construction	25,832	23,842	19,479	20,345	38,652
Manufacturing	778,735	788,163	944,070	592,309	642,782
Transportation and Public Utilities	2,556,524	2,422,870	2,920,135	2,536,794	2,464,786
Wholesale Trade	1,403,736	1,460,278	1,300,644	1,131,812	1,262,986
Retail Trade	10,162,245	9,764,051	8,930,620	8,588,168	8,654,677
Finance, Insurance, and Real Estate	367,556	308,237	291,692	307,204	301,474
Services	3,231,543	3,090,080	2,980,187	2,773,413	2,784,114
Public Administration	4,082	1,799	2,082	1,584	1,629
Nonclassifiable Establishments			-	6	8
<b>Totals</b>	<b>\$ 18,886,266</b>	<b>\$ 18,214,064</b>	<b>\$ 17,709,023</b>	<b>\$ 16,220,082</b>	<b>\$ 16,464,456</b>
Direct Sales Tax Rate	4.00%	4.00%	4.00%	4.00%	4.00%

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Taxable Sales by Industry</b>					
Agriculture, Forestry, and Fishing	\$ 199,715	\$ 178,366	\$ 170,983	\$ 157,489	\$ 149,210
Mining	87,996	79,841	73,130	48,785	36,058
Construction	34,042	18,338	20,626	16,761	16,041
Manufacturing	658,846	675,156	611,195	482,265	400,590
Transportation and Public Utilities	2,324,638	2,010,946	1,853,628	1,743,112	1,756,328
Wholesale Trade	1,253,201	1,151,922	1,115,834	998,408	1,434,049
Retail Trade	8,572,397	8,080,893	7,870,890	7,510,802	6,506,744
Finance, Insurance, and Real Estate	320,208	318,811	317,054	289,072	265,752
Services	2,721,315	2,561,395	2,346,888	2,219,300	2,134,617
Public Administration	1,456	1,337	1,307	1,219	560
Nonclassifiable Establishments	36	8	9	5	117
<b>Totals</b>	<b>\$ 16,173,850</b>	<b>\$ 15,077,013</b>	<b>\$ 14,381,544</b>	<b>\$ 13,467,218</b>	<b>\$ 12,700,066</b>
Direct Sales Tax Rate	4.00%	4.00%	3.98%	3.97%	3.97%

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

**Notes:**

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

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

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

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

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

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



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

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

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

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%
<b>74,418</b>	<b>100.00%</b>	<b>\$ 16,173,850</b>	<b>100.00%</b>

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

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

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

**Notes:**

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

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

(dollars in thousands)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Governmental Activities:</b>										
Revenue Bonds	\$ 191,295	\$ 227,586	\$ 250,376	\$ 260,168	\$ 280,501	\$ 302,663	\$ 324,250	\$ 336,976	\$ 339,676	\$ 341,468
Trust Certificates	13,595	16,490	19,250	21,895	24,435	26,870	29,730	32,465	35,080	37,575
Capital Leases	78,682	64,279	40,187	25,480	29,632	30,971	30,992	30,925	34,413	34,729
<b>Total Governmental Activities</b>	<b>283,572</b>	<b>308,355</b>	<b>309,813</b>	<b>307,543</b>	<b>334,568</b>	<b>360,504</b>	<b>384,972</b>	<b>400,366</b>	<b>409,169</b>	<b>413,772</b>
<b>Business-type Activities:</b>										
Revenue Bonds	212,523	222,705	174,218	126,510	131,097	135,525	99,798	102,322	52,272	28,853
Capital Leases								4	13	21
<b>Total Business-type Activities</b>	<b>212,523</b>	<b>222,705</b>	<b>174,218</b>	<b>126,510</b>	<b>131,097</b>	<b>135,525</b>	<b>99,798</b>	<b>102,326</b>	<b>52,285</b>	<b>28,874</b>
<b>Total Primary Government</b>	<b>\$ 496,095</b>	<b>\$ 531,060</b>	<b>\$ 484,031</b>	<b>\$ 434,053</b>	<b>\$ 465,665</b>	<b>\$ 496,029</b>	<b>\$ 484,770</b>	<b>\$ 502,692</b>	<b>\$ 461,454</b>	<b>\$ 442,646</b>
South Dakota Total Personal Income	\$ 37,818,750	\$ 36,932,450	\$ 34,569,500	\$ 31,218,250	\$ 31,274,250	\$ 31,090,547	\$ 29,034,171	\$ 26,587,390	\$ 25,834,413	\$ 24,888,315
Debt as a Percentage of Personal Income	1.3%	1.4%	1.4%	1.4%	1.5%	1.6%	1.7%	1.9%	1.8%	1.8%
South Dakota Population (in thousands)	845	833	824	816	812	804	796	787	779	774
Long-Term Debt per Capita	\$ 587.09	\$ 637.53	\$ 587.42	\$ 531.93	\$ 573.48	\$ 616.95	\$ 609.01	\$ 638.74	\$ 592.37	\$ 571.89

**Source:** Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2004-2013)  
Total Personal Income and Population data: US Bureau of Economic Analysis

- Note:**
- (a) South Dakota Total Personal Income figure for 2013 is preliminary.
  - (b) Data for Total Personal Income for 2012 has been revised.
  - (c) Detail about the State's debt can be found in Note 14 of the financial statements.
  - (d) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000.
  - (e) The State has no specific limitation of the debt that can be issued by the Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, however Legislative approval is required.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenue Bonds and Trust Certificates</b>										
- Building Authority										
Revenue - lease payments	\$ 13,569	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940	\$ 17,003	\$ 16,778	\$ 16,989	\$ 17,182	\$ 17,811
Less: Operating expenses										
Net available revenue	<u>\$ 13,569</u>	<u>\$ 14,646</u>	<u>\$ 15,052</u>	<u>\$ 15,276</u>	<u>\$ 15,940</u>	<u>\$ 17,003</u>	<u>\$ 16,778</u>	<u>\$ 16,989</u>	<u>\$ 17,182</u>	<u>\$ 17,811</u>
<b>Debt service</b>										
Principal	\$ 10,713	\$ 11,243	\$ 11,240	\$ 11,218	\$ 11,196	\$ 11,791	\$ 11,479	\$ 11,196	\$ 11,255	\$ 11,265
Interest	2,559	3,355	3,731	3,989	4,558	5,071	4,003	5,844	5,985	6,121
Total	<u>\$ 13,272</u>	<u>\$ 14,598</u>	<u>\$ 14,971</u>	<u>\$ 15,207</u>	<u>\$ 15,754</u>	<u>\$ 16,862</u>	<u>\$ 15,482</u>	<u>\$ 17,040</u>	<u>\$ 17,240</u>	<u>\$ 17,386</u>
Coverage	1.02	1.00	1.01	1.00	1.01	1.01	1.08	1.00	1.00	1.02
<b>Revenue Bonds</b>										
<b>-Educational Enhancement Funding Corp.</b>										
<b>Revenue -</b>										
Tobacco settlement	\$ 23,914	\$ 24,359	\$ 22,908	\$ 22,751	\$ 31,161	\$ 27,679	\$ 25,071	\$ 19,471	\$ 22,324	\$ 22,056
Investment Earnings	1,079	1,202	1,098	1,126	1,204	1,437	1,401	1,509	1,258	1,113
Less: Operating expenses	165	152	152	149	161	149	158	148	176	179
Net available revenue	<u>\$ 24,828</u>	<u>\$ 25,409</u>	<u>\$ 23,854</u>	<u>\$ 23,728</u>	<u>\$ 32,204</u>	<u>\$ 28,967</u>	<u>\$ 26,314</u>	<u>\$ 20,832</u>	<u>\$ 23,406</u>	<u>\$ 22,990</u>
<b>Debt service</b>										
Principal	18,800									
Interest	10,828	12,975	13,799	14,583	15,615	16,480	16,841	17,134	17,522	17,868
Total	<u>\$ 29,628</u>	<u>\$ 12,975</u>	<u>\$ 13,799</u>	<u>\$ 14,583</u>	<u>\$ 15,615</u>	<u>\$ 16,480</u>	<u>\$ 16,841</u>	<u>\$ 17,134</u>	<u>\$ 17,522</u>	<u>\$ 17,868</u>
Coverage	0.84	1.96	1.73	1.63	2.06	1.76	1.56	1.22	1.34	1.29
<b>Revenue Bonds</b>										
<b>-Clean Water State Revolving Fund</b>										
<b>Revenue:</b>										
Loan Repayments	\$ 24,394	\$ 29,078	\$ 43,202	\$ 16,789	\$ 16,089	\$ 14,689	\$ 10,780	\$ 9,702	\$ 11,593	\$ 9,460
Investment Income	3,402	3,494	3,259	2,722	2,600	2,258	3,104	4,046	3,048	2,972
Other Income	1,238	1,243	1,320	1,301	1,242	1,212	1,122	866	793	694
Less: Operating expenses	2,476	1,304	982	948	779	1,710	1,448	1,219	485	471
Net available revenue	<u>\$ 26,558</u>	<u>\$ 32,511</u>	<u>\$ 46,799</u>	<u>\$ 19,864</u>	<u>\$ 19,152</u>	<u>\$ 16,449</u>	<u>\$ 13,558</u>	<u>\$ 13,395</u>	<u>\$ 14,949</u>	<u>\$ 12,655</u>
<b>Debt service</b>										
Principal	\$ 6,110	\$ 4,320	\$ 3,665	\$ 2,820	\$ 2,730	\$ 2,635	\$ 1,210	\$ 1,165	\$ 150	\$ 1,125
Interest	5,578	4,063	3,188	2,872	2,562	2,477	2,376	1,709	260	1,007
Total	<u>\$ 11,688</u>	<u>\$ 8,383</u>	<u>\$ 6,853</u>	<u>\$ 5,692</u>	<u>\$ 5,292</u>	<u>\$ 5,112</u>	<u>\$ 3,586</u>	<u>\$ 2,874</u>	<u>\$ 410</u>	<u>\$ 2,132</u>
Coverage	2.27	3.88	6.83	3.49	3.62	3.22	3.78	4.66	36.46	5.94
<b>Revenue Bonds</b>										
<b>-Drinking Water State Revolving Fund</b>										
<b>Revenue:</b>										
Loan Repayments	\$ 19,956	\$ 34,599	\$ 31,338	\$ 13,987	\$ 12,824	\$ 10,599	\$ 9,230	\$ 5,322	\$ 4,348	\$ 5,816
Investment Income	2,558	2,351	1,987	1,681	1,780	1,641	1,828	2,055	1,995	520
Other Income	929	1,064	1,034	886	897	868	835	678	511	388
Less: Operating expenses	146	137	164	213	57	70	50	-	-	-
Net available revenue	<u>\$ 23,297</u>	<u>\$ 37,877</u>	<u>\$ 34,195</u>	<u>\$ 16,341</u>	<u>\$ 15,444</u>	<u>\$ 13,038</u>	<u>\$ 11,843</u>	<u>\$ 8,055</u>	<u>\$ 6,854</u>	<u>\$ 6,724</u>
<b>Debt service</b>										
Principal	\$ 4,050	\$ 2,845	\$ 2,495	\$ 1,815	\$ 1,745	\$ 1,685	\$ 1,360	\$ 440	\$ 415	\$ 400
Interest	2,284	2,676	2,517	2,281	2,223	2,142	2,074	2,147	1,732	511
Total	<u>\$ 6,334</u>	<u>\$ 5,521</u>	<u>\$ 5,012</u>	<u>\$ 4,096</u>	<u>\$ 3,968</u>	<u>\$ 3,827</u>	<u>\$ 3,434</u>	<u>\$ 2,587</u>	<u>\$ 2,147</u>	<u>\$ 911</u>
Coverage	3.68	6.86	6.82	3.99	3.89	3.41	3.45	3.11	3.19	7.38

**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, \$92,265,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2013.
  - (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.

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

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>WEST N. CENTRAL*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2013	316,129	0.7%	20,885	0.6%	845	1.3%
2012	313,874	0.7%	20,755	0.6%	834	1.2%
2011	311,583	0.7%	20,641	0.5%	824	1.0%
2010	309,326	0.8%	20,537	0.7%	816	0.5%
2009	306,772	0.9%	20,392	0.7%	812	0.9%
2008	304,094	1.0%	20,249	0.7%	805	1.0%
2007	301,231	1.0%	20,106	0.7%	797	1.0%
2006	298,380	1.0%	19,957	0.8%	789	1.2%
2005	295,517	0.9%	19,803	0.6%	780	0.8%
2004	292,805	0.9%	19,688	0.6%	774	0.9%

**Note:** Midyear (July 1) population estimates. Revised estimates for 2010, 2011 and 2012  
With each new release of July 1 population estimates,  
the Census Bureau Revises estimates for years back to the last census.

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

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

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

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>PLAINS*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2012	13,729,063	12.7%	907,004	4.2%	37,819	2.4%
2011r	12,179,561	-2.0%	870,220	7.3%	36,932	11.5%
2010r	12,423,332	2.9%	811,127	2.6%	33,136	4.8%
2009r	12,073,738	-2.9%	790,940	-2.6%	31,605	-2.0%
2008r	12,429,284	3.7%	812,334	6.2%	32,251	9.6%
2007r	11,990,244	5.4%	765,202	6.3%	29,435	10.8%
2006r	11,376,460	7.3%	719,571	5.9%	26,555	2.4%
2005r	10,605,645	5.6%	679,574	3.6%	25,934	3.2%
2004r	10,043,284	5.9%	655,828	5.4%	25,124	5.9%
2003r	9,479,611	3.6%	621,970	4.5%	23,718	9.1%

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

r = Revised Estimates

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

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, Last Updated September 2013

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

<b>YEAR</b>	<b>SOUTH DAKOTA</b>	<b>UNITED STATES</b>
2013p	3.9%	7.4%
2012r	4.4%	8.1%
2011r	4.8%	8.9%
2010r	5.1%	9.6%
2009r	5.2%	9.3%
2008r	3.0%	5.8%
2007	2.9%	4.6%
2006	3.1%	4.6%
2005	3.6%	5.1%
2004	3.7%	5.5%

p = Preliminary r = Revised Estimates  
Estimates for 2008 through 2012 have been recently updated.

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

## **PER CAPITA PERSONAL INCOME**

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>PLAINS*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2012	\$ 43,735	3.4%	\$ 43,712	3.7%	\$ 45,381	1.2%
2011r	42,298	5.3%	42,159	22.2%	44,843	10.5%
2010r	40,163	2.0%	34,497	-11.1%	40,596	3.7%
2009r	39,357	-3.7%	38,786	-3.3%	39,161	-3.0%
2008r	40,873	2.7%	40,118	5.4%	40,358	8.5%
2007r	39,804	4.4%	38,059	5.6%	37,183	9.6%
2006r	38,127	6.2%	36,056	5.1%	33,913	1.4%
2005r	35,888	4.6%	34,317	3.0%	33,443	2.5%
2004r	34,300	5.0%	33,311	4.8%	32,612	5.0%
2003r	32,676	2.8%	31,783	4.0%	31,055	8.6%

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

r = Revised Estimates

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

**Source:** U.S. Department of Commerce, September 2013

**State of South Dakota  
Top Ten Employers  
2013 as Compared to 2004**

<b>2013 Rank</b>	<b>Employer</b>	<b>South Dakota Employees</b>	<b>Percentage of Total South Dakota Employment</b>
1	Avera System-Wide (SD)	15,145	3.8%
2	South Dakota State Government*	14,494	3.6%
3	Federal Government (Statewide)	11,449	2.8%
4	Sanford System-Wide (SD)	9,743	2.4%
5	Sioux Falls MSA Local Government**	8,701	2.2%
6	Rapid City MSA Local Government**	5,904	1.5%
7	Rapid City Regional Hospital, Inc. (System Wide)	4,882	1.2%
8	Walmart Associates (10/31/13)	4,808	1.2%
9	HyVee Food Store	4,385	1.1%
10	Wells Fargo Bank	3,585	0.9%
	Total Top Ten Employers	83,096	20.6%
	Total SD Employment 2013	402,412	

\* 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:** Compiled by the Governor's Office of Economic Development February 2014  
List of Companies: SD Dept. of Labor, Labor Market Information Center (LMIC)  
Employment Numbers: Private Companies (HR Departments & Corporate websites),  
LMIC for government employers

**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.

<b>2004 Rank</b>	<b>Employer</b>	<b>South Dakota Employees</b>	<b>Percentage of Total South Dakota Employment</b>
1	South Dakota State Government*	13,586	3.3%
2	Federal Government (Statewide)	11,360	2.7%
3	Sioux Falls MSA Local Government**	8,169	2.0%
4	Rapid City MSA Local Government**	5,885	1.4%
5	Sioux Valley Hospital (Sioux Falls)	5,400	1.3%
6	Wal-Mart (Statewide)	4,115	1.0%
7	Avera McKennan Hospital (Sioux Falls)	3,450	0.8%
8	John Morrell & Company (Sioux Falls)	3,300	0.8%
9	Citibank South Dakota NA (Sioux Falls)	3,200	0.8%
10	Wells Fargo (Sioux Falls)	2,300	0.6%
10	Regional City Regional Hospital (Rapid City)	2,300	0.6%
	Total Top Ten Employers	63,065	15.2%
	Total SD Employment 2004	416,000	

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

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

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

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

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

	<b>2013p</b>	<b>2012r</b>	<b>2011r</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Natural Resources/Mining/Construction*	20.3	21.0	21.1	21.0	21.8	23.3	23.1	22.8	21.9	20.7
Manufacturing	41.8	41.3	39.2	36.9	37.7	42.7	42.0	41.6	39.8	38.9
Trade/Transportation/Utilities	85.0	83.0	81.7	80.6	80.7	82.2	81.6	80.1	78.9	77.2
<i>Wholesale Trade</i>	19.6	19.5	19.0	18.6	18.3	18.7	18.5	18.2	17.6	17.1
<i>Retail Trade</i>	52.9	51.0	50.2	49.5	49.6	50.2	50.2	49.2	49.3	48.5
<i>Trans/Warehsing/Util</i>	12.6	12.5	12.5	12.5	12.8	13.2	12.9	12.7	12.1	11.5
Information	6.1	6.2	6.4	6.5	6.7	6.9	7.2	6.9	6.8	6.7
Financial Activities	29.6	28.7	28.1	28.9	30.4	31.0	30.8	29.5	28.5	27.8
Professional/Business Svcs.	28.5	29.0	28.7	27.5	26.9	28.0	27.6	25.7	24.5	24.2
Educational/Health Services	68.5	67.2	65.3	64.5	63.2	62.0	60.0	58.5	57.4	56.5
Leisure and Hospitality	46.0	44.3	43.4	43.0	42.9	43.2	42.8	42.5	41.7	40.7
Other Services (Except Public Administration)	15.8	15.8	15.6	15.6	15.7	15.9	15.8	15.6	15.5	15.9
Government	78.0	77.5	78.0	78.7	77.8	76.2	75.6	75.3	75.3	75.0
<b>TOTAL</b>	<b>419.7</b>	<b>414.0</b>	<b>407.5</b>	<b>403.2</b>	<b>403.7</b>	<b>411.4</b>	<b>406.4</b>	<b>398.6</b>	<b>390.1</b>	<b>383.7</b>
% Change in Nonfarm Employment	1.4%	1.6%	1.1%	-0.1%	-1.9%	1.2%	2.0%	2.2%	1.7%	1.4%

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

<sup>1</sup> Based on North American Industry Classification System (NAICS)

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

p = Preliminary Data

r = Revised Data

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

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

	<b>EXPANSIONS</b>		<b>NEW</b>		<b>TOTAL</b>	
	<b>NUMBER</b>	<b>NEW CAPITAL INVESTMENT</b>	<b>NUMBER</b>	<b>NEW CAPITAL INVESTMENT</b>	<b>NUMBER</b>	<b>NEW CAPITAL INVESTMENT</b>
2013	283	\$278.6	8	\$204.7	291	\$483.3
2012r	406	\$403.3	3	\$0.0	409	\$403.3
2011r	367	\$276.5	4	\$0.9	371	\$277.4
2010r	323	\$111.2	12	\$0.3	335	\$111.5
2009r	398	\$215.5	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

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

r = Revised Data

**Source:** Governor's Office of Economic Development

**State of South Dakota  
Capital Asset Statistics by Function  
as of June 30, 2013**

	Fiscal Year			
	2013	2012	2011	2010
<b>General Government</b>				
Vehicles	2,862	2,852	2,949	2,743
Land (Acres)	760,804	760,828	760,828	760,828
Equipment	1,388	1,406	1,296	1,275
Buildings	15	17	17	16
Infrastructure	0	0	0	0
<b>Health, Human, and Social Services</b>				
Vehicles	8	8	8	7
Land (Acres)	777	710	710	710
Equipment	610	590	554	539
Buildings	48	47	47	46
Infrastructure	0	0	0	0
<b>Law, Justice, Public Protection, and Regulation</b>				
Vehicles	339	324	320	312
Land (Acres)	1,484	1,387	2,066	2,067
Equipment	932	826	762	682
Buildings	71	74	74	76
Infrastructure	0	0	0	0
<b>Agriculture and Natural Resources</b>				
Vehicles	373	377	365	340
Land (Acres)	360,137	360,039	360,039	352,128
Equipment	1,490	1,457	1,357	1,292
Buildings	55	52	52	53
Infrastructure	0	0	0	0
<b>Transportation</b>				
Vehicles	1,183	1,206	1,268	1,241
Land (Acres)	3,294	3,498	3,618	3,747
Land, ROW Roads	\$ 92,689,993	\$ 89,954,671	\$ 86,389,686	\$ 84,159,719
Land Improvements, Roads	\$ 512,129,195	\$ 512,129,195	\$ 512,410,674	\$ 512,410,674
Equipment	3,211	3,081	3,043	2,828
Buildings	115	109	104	102
Infrastructure				
-Roads: Lane Miles	8,850	8,858	8,858	8,858
-Bridges: Number of	1,798	1,799	1,805	1,803
-Railroads: Track Miles	530	513	513	513
<b>Education</b>				
Vehicles	0	0	0	0
Land (Acres)	77	77	45	45
Equipment	17	11	15	24
Buildings	26	22	22	22
Infrastructure	0	0	0	0
<b>Economic Resources</b>				
Vehicles	1	2	2	2
Land (Acres)	0	0	0	0
Equipment	45	42	48	49
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, FY 2010, FY 2011, FY 2012 & FY 2013 will be shown.

Data will be added to future CAFR reports until the data shown reaches ten years.



**Fiscal Year**

2009	2008	2007	2006
2,683	2,879	2,711	2,636
760,828	760,832	760,832	761,295
1,291	1,416	1,477	1,970
15	13	13	21*
0	0	0	0
7	12	6	5
906	901	901	901
479	510	566	540
46	46	46	46
0	0	0	0
281	314	313	323
2,313	2,313	2,313	2,313
596	607	627	599
68	67	70	54*
0	0	0	0
309	326	326	300
350,245	348,552	297,796	293,775
1,208	1,173	1,123	1,095
48	48	35	34
0	0	0	0
1,149	1,607	1,259	1,194
3,891	3,875	3,883	3,950
\$ 76,597,880	\$ 73,884,865	\$ 69,080,371	\$ 48,033,462
\$ 512,410,674	\$ 512,410,674	\$ 512,498,327	\$ 512,216,849
2,603	2,511	2,402	2,258
98	96	96	88
8,862	8,862	8,864	8,886
1,809	1,805	1,800	1,805
513	513	513	328
0	0	0	0
33	33	33	33
30	32	47	53
22	22	22	25
0	0	0	0
1	1	3	2
0	0	0	0
36	37	39	41
0	0	0	0
0	0	0	0

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

	Fiscal Year		
	2013	2012	2011
<b>General Government</b>			
Executive Management			
Bureau of Finance and Management			
Complete Governors Budget Book	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual
Bureau of Information and Telecommunications			
Data Storage (GB)	N/A	N/A	N/A
SDPB Local Production (Hours)	3,656	2,056	2,456
Radio Calls through Digital Network	26,968,003	26,052,239	24,122,503
Bureau of Personnel			
Health: Employees, COBRA, Retirees/Dependents	13,296 / 13,305	13,234 / 13,008	13,372 / 12,488
Bureau of Administration			
Pieces of Mail Handled/Year	8,047,767	8,631,113	8,991,825
Total Miles Driven	38,739,712	38,755,956	37,663,512
Revenue			
Total Active Business Licenses	81,047	80,130	78,399
Vehicles Registered	1,402,128	1,081,516	1,156,109
Misc. Special Tax Licenses	5,430	5,333	5,332
Lottery			
Licensed Lottery Retailers--Instant	12	12	13
Licensed Lottery Retailers--On-line	597	591	584
Legislature			
Legislative Research Council	N/A	N/A	N/A
Auditor General			
Audits Performed	49	73	59
Audits Reviewed (IPA reports)	338	327	356
School and Public Lands			
Apportion common school interest fund and income to school districts (in Thousands)	\$ 7,422	\$ 7,433	\$ 8,274
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	\$ 1,991	\$ 1,957	\$ 1,629
Secretary of State			
Business and Secured Transaction Filings	100,492	92,608	90,291
State Treasurer			
Cash Receipts (Thousands)	\$ 4,621,725	\$ 4,667,076	\$ 4,435,684
Unclaimed Property - Claims Paid	3,973	2,992	4,619
State Auditor			
Vouchers Audited	289,083	291,219	293,522
Warrants Written	318,863	400,307	433,121
<b>Health, Human, and Social Services</b>			
Social Services			
Medicaid Enrolled/Month	116,128	115,731	114,405
Long Term Care Services - Clients Served	4,053	4,138	4,276
Health			
Immunization Rate, Children 19-35 months			
4:3:1:3:3 shot series	N/A	N/A	N/A
Public Health Investigations	12,618	10,386	10,379
Labor			
State Labor Force	446,990	444,805	444,980
Unemployment Rate	4.30%	4.50%	4.90%
South Dakota Retirement System			
Budget Compared to Assets	0.040%	0.042%	0.053%
Budget Compared to Benefits	0.870%	0.900%	1.120%
Veterans Benefits and Services			
South Dakota Veteran Population	75,000	72,000	72,000
State Veterans' Home			
Average Daily Census	118	130	129
Human Services			
People with Developmental disabilities served	3,032	2,970	2,899
People with mental illness served	16,110	15,572	14,915
People with substance abuse issues served	12,305	14,307	14,893
People receiving vocational rehabilitation services	6,166	6,477	6,224

Fiscal Year						
2010	2009	2008	2007	2006	2005	2004
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
N/A	N/A	N/A	10,347	6,273	1,732	822
1,528	1,480	736	740	719	615	533
22,188,596	21,468,474	21,885,767	22,584,630	18,719,091	14,377,144	13,200,000
13,427 / 11,876	13,316 / 11,568	13,171 / 11,696	13,133 / 11,846	13,105 / 11,713	12,853 / 11,093	12,535 / 10,856
9,274,640	9,687,084	9,909,143	11,638,363	9,977,094	10,286,652	10,381,413
37,506,764	37,136,509	38,788,928	38,180,716	39,406,852	39,017,332	37,488,578
78,919	76,367	73,456	72,315	70,685	68,691	67,219
1,137,621	1,113,254	1,168,616	1,129,972	1,135,960	1,102,710	1,081,123
5,346	5,298	5,580	5,672	8,030	7,977	7,532
14	129	620	615	609	597	589
579	480	476	447	407	365	353
N/A	N/A	N/A	N/A	N/A	N/A	N/A
58	59	56	81	69	73	83
349	286	285	322	293	271	308
\$ 8,672	\$ 10,997	\$ 8,771	\$ 8,453	\$ 8,265	\$ 4,297	\$ 6,649
\$ 1,905	\$ 1,990	\$ 1,967	\$ 2,026	\$ 1,753	\$ 1,464	\$ 1,275
91,288	97,572	100,959	101,215	95,518	102,162	90,387
\$ 4,196,085	\$ 3,812,475	\$ 3,843,830	\$ 3,705,226	\$ 3,625,844	\$ 3,402,620	\$ 3,300,787
7,390	6,113	6,505	5,084	6,138	8,398	13,410
288,997	283,596	287,358	287,076	309,479	310,579	292,110
451,581	473,409	507,447	595,412	634,882	737,425	899,687
111,005	104,520	102,310	100,393	100,274	97,810	95,043
4,346	4,347	4,359	4,419	4,452	4,642	4,634
N/A	N/A	N/A	N/A	N/A	87%	86%
15,292	12,365	13,014	12,922	15,416	16,711	13,080
442,940	447,275	443,765	440,030	432,442	427,374	426,196
5.00%	4.10%	2.80%	3.00%	3.50%	3.80%	3.50%
0.057%	0.063%	0.045%	0.044%	0.044%	0.049%	0.049%
1.140%	1.180%	1.110%	1.220%	1.260%	1.300%	1.400%
72,400	73,500	74,273	73,325	74,224	75,104	75,966
132	129	124	119	119	122	121
2,837	2,814	2,776	2,762	2,727	2,668	2,521
13,998	13,261	12,901	12,246	11,591	10,389	9,665
15,131	15,338	15,146	15,069	14,180	16,394	16,524
5,710	5,606	5,714	6,508	6,819	6,717	6,401

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

	Fiscal Year		
	2013	2012	2011
<b>Law, Justice, Public Protection, and Regulation</b>			
Corrections			
Adult System ADP (Average Daily Population)	3,637	3,565	3,479
Avg. Daily Population on Supervision	2,473	2,418	2,452
Juvenile Institutional and Placement ADP	688	526	459
Unified Judicial System			
Felony Offenses Filings/Pending	6,856	7,225	6,456 / N/A
Class one Misdemeanor Filings/Pending	22,720	21,690	19,929 / N/A
Class two Misdemeanor Filings/Pending	111,461 / N/A	117,594 / N/A	112,853 / N/A
Attorney General			
New Cases Opened/Closed/Pending (thousands)	1.2 / 2.2 / 1.6	.85 / 2.1 / 1.5	1.0 / 1.3 / 2.5
Investigations Conducted by DCI	1,013	1,012	902
Public Safety			
Patrol of Public Highways (Percentage)	45%	46%	45%
Patrol of Public Highways (Hours)	N/A	N/A	131,508
Driver Licenses Issued	198,733	201,766	198,871
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,220	3,266	3,420
Assigned Strength of the Air Guard	1,030	1,038	1,057
Appraiser Program			
New / Renewed licenses	20 / 399	15 / 383	11 / 381
Revenue Financial Services			
Banking Institutions Examined	534	563	562
Dealer, Broker & Investment Advisor Agents Licensed	81,567	79,886	77,038
Renewed & Issued Insurance Appointments/Licenses	286,078	243,465	270,412
Revenue Boards and Commissions			
New & Renewed Licenses Issued	7,137	7,517	6,853
Public Utilities Commission			
Dockets Opened	265	238	143
<b>Agriculture and Natural Resources</b>			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	1,253 / 148,604	1,267 / 123,484	468 / 7,100
Dairy Inspections	713	831	956
Marketing Consultations	390	375	375
Insect & Disease Individual Assists	491	354	307
Game, Fish and Parks			
Total Park Visitations	8,091,937	7,682,751	7,469,331
Acres of Walk-In Areas	1,277,000	1,271,743	1,300,000
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	88.8M / 108	96.4M / 129	119.1M / 155
Total number of Regulated Facilities	27,820	27,331	26,679
Petroleum Release Compensation			
Petroleum Release Cases Initiated	120	95	62
Abandoned Tank site Cases Initiated	81	45	36
<b>Transportation</b>			
Transportation			
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	88	93	88
Percent of interstate pavement in excellent condition based on condition index	45	53	33
<b>Education</b>			
Student K-12 public school fall enrollment	127,169	125,152	123,629
<b>Economic Resources</b>			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 400.00	\$ 282.00	\$ 118.00
New Jobs Created (calendar year)	3,000	4,248	4,462
Tourism's Impact on South Dakota Economy (billions)	\$ 1.95	\$ 1.86	\$ 1.76

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

Fiscal Year							
2010	2009	2008	2007	2006	2005	2004	
3,490	3,428	3,373	3,412	3,466	3,177	3,059	
2,385	2,311	2,379	2,312	2,011	2,243	1,945	
446	497	461	489	510	512	520	
6,126 / N/A	5,745 / 7,249	5,797 / 7,104	5,660 / 7,388	6,970 / 7,462	7,032 / 7,970	6,895 / 6,936	
20,141 / N/A	21,896 / 23,039	22,611 / 22,924	23,464 / 22,296	24,064 / 22,570	22,094 / 20,330	20,542 / 18,144	
124,965 / N/A	134,617 / 44,143	139,262 / 46,389	139,933 / 43,043	141,405 / 43,614	142,605 / 40,449	142,025 / 36,983	
.8 / 1.3 / 2.3	.8 / 1.1 / 2.1	1.1 / .9 / 2.0	1.1 / 1.0 / 1.9	1.2 / 1.2 / 1.9	1.3 / 1.2 / 1.9	1.5 / 1.4 / 1.8	
867	772	759	534	599	580	683	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	
130,700	130,503	124,763	139,828	136,428	125,844	129,575	
176,153	150,056	195,900	205,260	198,755	189,727	134,282	
3,441	3,391	3,368	3,360	3,425	3,425	3,425	
1,103	1,108	1,012	1,008	1,015	1,030	1,025	
18 / 354	17 / 372	22 / 354	17 / 360	33 / 361	30 / 360	33 / 331	
538	538	553	376	609	606	618	
62,262	61,995	63,004	60,015	54,396	51,146	47,593	
269,361	254,327	223,240	210,739	211,904	196,873	218,679	
8,191	7,425	8,387	7,351	7,759	6,577	7,861	
178	199	227	306	258	306	435	
398 / 10,335	337 / 5,803	595 / 55,731	904 / 288,616	762 / 47,860	412 / 7,309	622 / 73,585	
1,078	1,444	1,300	1,350	1,549	1,532	1,691	
385	360	396	300	220	240	280	
333	400	500	792	390	373	430	
7,785,508	7,638,828	7,371,201	7,326,503	7,202,975	7,148,102	7,413,106	
1,250,000	1,201,430	1,152,653	1,000,000	1,080,000	935,163	903,000	
80.6M / 109	100M / 129	99.3M / 113	34.8M / 102	91.4M / 135	108.2M / 150	34.5M / 117	
26,365	26,328	25,677	24,445	23,123	20,711	20,525	
64	70	45	22	29	27	21	
45	53	33	45	38	53	69	
85	84	83	83	78	77	75	
31	45	40	41	35	24	34	
122,055	121,015	121,089	120,278	120,682	121,327	123,058	
\$ 217.00	\$ 401.80	\$ 736.10	\$ 407.50	\$ 275.10	\$ 241.80	\$ 397.50	
3,298	3,952	4,083	3,044	3,202	3,046	2,190	
\$ 2.42	\$ 2.74	\$ 2.42	\$ 2.35	\$ 2.16	\$ 2.02	\$ 1.75	

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

Function of State Government:	Fiscal Year				
	2013	2012	2011	2010	2009
General Government	970	967	1,003	1,020	1,019
Health, Human, and Social Services	3,009	3,004	3,040	3,121	3,064
Law, Justice, Public Protection, and Regulation	2,186	2,142	2,160	2,130	2,119
Agriculture and Natural Resources	941	925	938	942	918
Transportation	978	965	987	1,004	1,000
Education	130	132	133	135	130
Economic Resources	197	170	264	257	199
State Total	<u><u>8,411</u></u>	<u><u>8,305</u></u>	<u><u>8,525</u></u>	<u><u>8,609</u></u>	<u><u>8,449</u></u>

Function of State Government:	Fiscal Year				
	2008	2007	2006	2005	2004
General Government	1,000	993	990	979	964
Health, Human, and Social Services	3,051	3,054	3,113	3,083	2,995
Law, Justice, Public Protection, and Regulation	2,131	2,110	2,081	2,012	1,969
Agriculture and Natural Resources	908	899	907	911	891
Transportation	1,015	1,012	1,024	1,020	1,007
Education	134	139	136	130	122
Economic Resources	180	168	170	168	164
State Total	<u><u>8,419</u></u>	<u><u>8,375</u></u>	<u><u>8,421</u></u>	<u><u>8,303</u></u>	<u><u>8,112</u></u>

**Source:** State's Budget System RB12

**Note:**

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

