

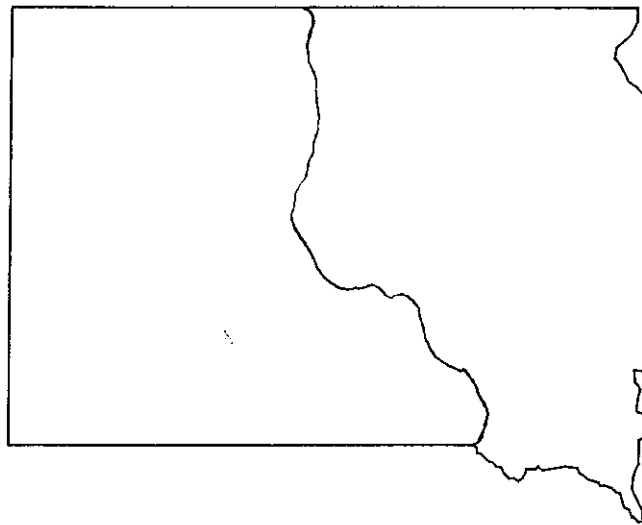
# South Dakota

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 1998**



**PREPARED BY BUREAU OF FINANCE AND MANAGEMENT  
CURTIS A. EVERSON, COMMISSIONER**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 1998**



**WILLIAM J. JANKLOW, GOVERNOR**

**CAROLE K. HILLARD, LT. GOVERNOR**

**CURTIS A. EVERSON, COMMISSIONER  
BUREAU OF FINANCE AND MANAGEMENT**

# ACKNOWLEDGEMENTS

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

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## **SPECIAL THANKS TO:**

**South Dakota Department of Legislative Audit, Pierre  
Jason C. Dilges, Economist, Bureau of Finance and Management, Pierre  
Business Research Bureau, University of South Dakota, Vermillion  
All State Finance Officers and Accountants**

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

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STATE OF SOUTH DAKOTA  
WILLIAM J. JANKLOW, GOVERNOR



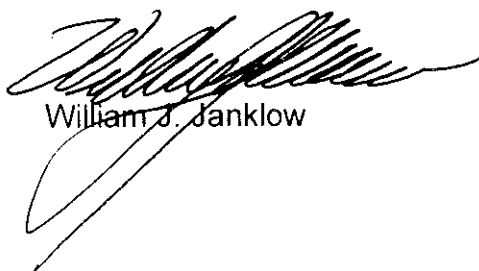
**TO THE HONORABLE MEMBERS OF THE LEGISLATURE  
AND CITIZENS OF SOUTH DAKOTA**

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year that ended June 30, 1998. This is our twelfth *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.

Continued expansion and diversification of the economy has allowed South Dakota's economy to remain one of the healthiest economies among the fifty states. South Dakota's labor force grew to an all-time high of 358,500 workers during the twelve-month period. Leading the way during this period of time were the finance, insurance, real estate, and construction sectors. In addition to the growth in nonfarm employment, the unemployment rates remained low and personal income grew at a rate greater than inflation.

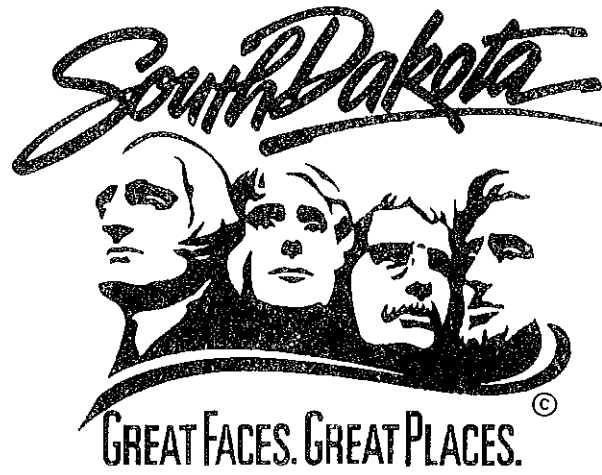
In South Dakota, the emphasis of government is the basics, protecting people and property, providing educational opportunities, and helping people who cannot help themselves. South Dakota continues to live within its means and provide these services to the citizens as we have since statehood in 1889.

Sincerely,



William J. Janklow

EXECUTIVE OFFICE  
STATE CAPITOL  
500 EAST CAPITOL  
PIERRE, SOUTH DAKOTA  
57501-5070  
605-773-3212



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# ***INTRODUCTORY SECTION***

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## DEPARTMENT OF EXECUTIVE MANAGEMENT

BUREAU OF FINANCE AND MANAGEMENT  
500 East Capitol, Pierre, SD 57501  
(605) 773-3411  
FAX: (605) 773-4711

The Honorable William J. Janklow, Governor  
of the State of South Dakota  
and Members of the South Dakota Legislature

It is my pleasure to submit to you *South Dakota's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1998*.

The Bureau of Finance and Management assumes full responsibility for the accuracy, fairness, and completeness of this document. It is my opinion that the information presented herein is, in all material respects, presented fairly, and accurately reflects the financial position of the state of South Dakota at fiscal year-end 1998.

### REPORT PRESENTATION

This report is presented in sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section* includes a brief description of the state's reporting entity, the state's Risk Management Program, the Cash Management Program, the South Dakota Lottery Fund, the state Auditor General, general fund statistics, a short economic review of the past year, and an economic outlook summary for South Dakota. Also included are a listing of principal state officials, a state organizational chart, and a listing of state government functions. The *Financial Section* includes the independent auditor's report, the state's general purpose financial statements that include figures for various component units of government for which the state has oversight responsibility, the notes to the financial statements, required supplemental information, and the combining financial statements. The *Statistical Section* presents various economic, statistical, and demographic data including labor force, education, census information, banking, taxes, farming, etc.

### COMPLIANCE WITH ACCOUNTING STANDARDS

South Dakota's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with generally accepted accounting principles (GAAP) that are issued by the Governmental Accounting Standards Board (GASB). South Dakota state government subscribes to and follows all GASB literature, is a member of the Government Finance Officers Association (GFOA), and is dedicated to the practice of GAAP reporting.

South Dakota's financial statements are presented on the modified accrual basis of accounting for governmental funds and expendable trust funds, and records revenues when they are measurable and available as net current assets, and expenditures when the related fund liability is incurred. Proprietary funds, nonexpendable trust funds, and pension trust funds are presented on the full accrual basis of accounting. The state's six university funds are presented in accordance with guidelines and standards issued by one or more of the following organizations: The National Association of College and University Business Officers (NACUBO), the American Institute of Certified Public Accountants (AICPA), and the Governmental Accounting Standards Board (GASB).

## STATE REPORTING ENTITY

The statements presented in this report include not only the main operating funds of state government, but also other reporting entities for which the state has oversight responsibility, including six state universities, South Dakota Building Authority, and the South Dakota Housing Authority. These other reporting entities are included in this report and in the notes to the financial statements.

## AUDIT

The South Dakota Department of Legislative Audit, a division of the legislative branch of government, audits South Dakota's Comprehensive Annual Financial Report. The audits are conducted in accordance with generally accepted government auditing standards (GAGAS) as issued by the Comptroller General of the United States. The opinion expressed by Legislative Audit is expressed on the general purpose financial statements and the notes to the financial statements, but does not include the *Introductory Section* or the *Statistical Section*.

The Department of Legislative Audit also performs periodic audits of the various departments of state government, in addition to auditing the general purpose financial statements. Certified Public Accounting firms are employed to audit the various financing authorities of the state.

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

## RISK MANAGEMENT

The state's Office of Risk Management provides risk management services to all state agencies and institutions. These services include conducting loss control audits to verify agencies and institutions are proactively identifying and addressing liability and workers' compensation exposures; advising agencies on applicable laws, regulations, and standards that contribute to a

safe working environment; providing loss control training; reviewing state contracts for adequate risk management language; and, selecting brokers and insurance companies to obtain the best product for the best price.

Housed with the Office of Risk Management is the Public Entity Pool for Liability (PEPL) Fund, a self-insurance program that provides general liability, automobile liability, professional liability, public officials' errors and omissions, law enforcement liability, and some medical malpractice coverage for state employees. The PEPL Fund aggressively manages claims and lawsuits filed against state employees to minimize cost and mitigate damages.

## CASH MANAGEMENT

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

The Investment Council is responsible for the investment management of the South Dakota Cash Flow Fund, the South Dakota Retirement System, Cement Plant Retirement Fund, Board of Regents' Perpetuity Fund, and the School and Public Lands Fund.

Investment Council management of the South Dakota Cash Flow Fund resulted in earnings this year of \$31.5 million, a yield of 6.0%. This fund serves as the state's checking account and has earned taxpayers \$537.5 million over the past 26 years. Total investment income for all funds invested by the Investment Council was a record \$727.0 million for fiscal year 1998, an increase from \$661.0 million in fiscal year 1997. Income for the most recent five years totaled \$2.3 billion, and since inception has exceeded \$4.48 billion.

Performance over the past 25 years has placed the council in the top 10th percentile for equity, the 20th percentile for bonds, and the 1st percentile against state funds for total retirement assets. The Investment Council has grown from \$133.0 million in assets at the end of its first year to \$4.874 billion at June 30, 1998.

## LOTTERY

The South Dakota Lottery Fund was created during the 1987 legislative session and was organized to market instant scratch games. Video lottery was created during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, South Dakota joined the Multi-State Lottery Association (MUSL), a consortium of 23 state lotteries that currently offer the Powerball game. South Dakota's own lotto game began in FY1993. In FY1994, South Dakota entered into a multi-state agreement with the states of Montana and Idaho to offer the Tri-State Lotto game that began early in February 1994. On September 16, 1996, the South Dakota Lottery began selling MUSL's Daily Millions game that is an all-cash lotto game currently sold in 12 states. On February 1, 1998, Nebraska joined the Tri-West Lotto group and the group replaced the Tri-West Lotto game with a new game called Wild Card. On March 31, 1998, Daily Millions was replaced with a new MUSL daily game called Cash 4 Life. The Cash 4 Life group is currently made up of eleven states. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 1998, \$565.3 million have been generated to fund many public programs and projects. Lottery revenues for FY1998 totaled \$97.0 million.

## FINANCIAL

The state's main operating fund is the general fund. The general fund records all revenues and expenditures for carrying out the general day-to-day business of state government. 55.2% of general fund revenue is produced by a 4% sales and use tax. South Dakota does not have a state personal or corporate income tax.

**NOTE:** All charts in this section are presented on the accrual basis.

### GENERAL FUND REVENUE SOURCE/TRANSFERS (Thousands)

	AMOUNT	PERCENT
Taxes	\$547,930	77.7
Use of Money/Property	21,081	3.0
Sales and Services	5,130	0.7
Licenses/Permits/Fees	5,304	0.8
Administering Programs	2,809	0.4
Fines/Forfeits/Penalties	506	0.1
Other	876	0.1
<b>TOTAL REVENUE</b>	<b>\$583,636</b>	<b>82.8</b>

Transfer From Property Tax Reduction Fund	\$ 85,300	12.1
Transfer From Component Units	12,000	1.7
Transfer From Other Agencies	24,381	3.4
<b>TOTAL GENERAL FUND</b>	<b>\$705,317</b>	<b>100.0</b>

### TAXES BY SOURCE (Thousands)

	AMOUNT	PERCENT
Sales and Use Tax	\$389,205	71.0
Inheritance Tax	22,866	4.2
Insurance Company Tax	33,023	6.0
Liquor Tax	7,458	1.4
Cigarette Tax	19,895	3.6
Bank Franchise Tax	28,705	5.3
Contractor's Excise Tax	43,371	7.9
Severance Tax	2,385	.4
Other Tobacco Tax	1,022	.2
<b>TOTAL</b>	<b>\$547,930</b>	<b>100.0</b>

### GENERAL FUND EXPENDITURES BY OBJECT/TRANSFERS (Thousands)

	AMOUNT	PERCENT
Salaries/Wages/Benefits	\$102,424	14.6
Travel	3,575	0.5
Contractual	40,815	5.8
Supplies/Materials	8,997	1.3
Grants/Subsidies	403,586	57.5
Capital Outlay	5,808	0.8
Other	1,135	0.2
<b>TOTAL EXPENDITURES</b>	<b>\$566,340</b>	<b>80.7</b>

Transfer to State Fair	\$ 127	0.0
Transfer to Universities	109,111	15.5
Other Transfers Out	26,706	3.8
<b>TOTAL GENERAL FUND</b>	<b>\$702,284</b>	<b>100.0</b>

GENERAL FUND EXPENDITURES  
BY FUNCTION/TRANSFERS  
(Thousands)

	AMOUNT	PERCENT
General Government	\$ 40,519	5.8
Human Resources	218,823	31.2
Natural Resources	10,274	1.4
Protection of Public	6,732	1.0
Transportation	393	0.1
Education and Research	287,964	41.0
Economic Resources	1,635	0.2
<b>TOTAL EXPENDITURES</b>	<b>\$566,340</b>	<b>80.7</b>
Transfer to State Fair	\$ 127	0.0
Transfer to Universities	109,111	15.5
Other Transfers Out	26,706	3.8
<b>TOTAL GENERAL FUND</b>	<b>\$702,284</b>	<b>100.0</b>

**ECONOMIC REVIEW FOR  
FISCAL YEAR 1998**

South Dakota's economy continues to be one of the healthiest economies among the fifty states. A prime indication of the strength of South Dakota's economy during FY1998 was the growth in South Dakota's labor force. During FY1998, the South Dakota labor force grew to an all-time high, with the construction and finance, insurance and real estate sectors leading the way, with growth rates of 6.27% and 6.57%, respectively. At the same time, South Dakota enjoyed one of the lowest unemployment rates in the nation at 2.6%, far below the national unemployment rate.

During FY1998, nonfarm employment grew by 4,946 jobs, an increase of 1.63%. Nationally, nonfarm employment grew 2.63% during the same period. Most sectors in South Dakota realized a growth in jobs. Building permits issued during this 12-month period were up 13.8%; the value of building permits issued increased by 10.6%. Finally, total personal income in South Dakota grew 3.45%, compared to the national growth rate of 5.28%. South Dakota's 30.75% decrease in farm income was part of the reason the U.S. exceeded South Dakota in personal income. Nonfarm income, however, grew at a healthy rate of 5.9%.

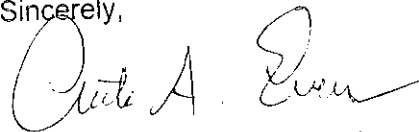
**ECONOMIC OUTLOOK**

After speeding through the final half of FY1998 at an even higher pace than existed during the beginning of FY1998, South Dakota's economy is expected to grow above the historical average during FY1999. Contributing to the faster pace of growth is a stable national economy, a tight but growing labor market, and healthy increases in wages. After growing 1.63% during FY1998, nonfarm employment is expected to grow 1.45% during FY1999, with the service and finance, and real estate service sectors leading the way. The housing sector is expected to remain stable. Finally, personal income is expected to grow 4.25%. Farm income is also predicted to remain weak, due to a surplus grain crop in FY1999 when compared to the bumper crops in FY1997 and FY1998. Nonfarm income is expected to grow 5.1% during FY1999.

**ACKNOWLEDGMENTS**

I want to thank all of the department finance officers for their dedication in accumulating the data needed to produce this report in a timely fashion. Without their cooperation, this report would be impossible to produce. I would also like to thank the Department of Legislative Audit and the Bureau of Finance and Management Accounting Staff for their talents in putting all of this information together in an understandable and informative format. It is my intention that this audited financial report will make state government more accountable to its citizens and also provide a valuable insight into state government operations for bond investors, legislators, and other interested parties.

Sincerely,



Curtis A. Everson, Commissioner  
Bureau of Finance and Management

# **BUREAU OF FINANCE AND MANAGEMENT**

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

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

## **BUDGET ANALYSIS**

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

## **EXECUTIVE MANAGEMENT FINANCE OFFICE**

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

## **FINANCIAL COMPLIANCE**

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

## **FINANCIAL SYSTEMS**

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

**SOUTH DAKOTA  
PRINCIPAL STATE OFFICIALS**

**EXECUTIVE BRANCH**

*THE HONORABLE WILLIAM J. JANKLOW, GOVERNOR  
THE HONORABLE CAROLE K. HILLARD, LIEUTENANT GOVERNOR*

**CONSTITUTIONAL OFFICERS**

*The Honorable Mark W. Barnett, Attorney General  
The Honorable Joyce I. Hazeltine, Secretary of State  
The Honorable Richard D. Butler, Treasurer  
The Honorable Vernon L. Larson, Auditor  
The Honorable Curtis J. Johnson, Commissioner, School and Public Lands*

**PUBLIC UTILITIES COMMISSION**

*The Honorable Laska L. Schoenfelder, Commissioner  
The Honorable Pamela A. Nelson, Commissioner  
The Honorable James A. Burg, Commissioner*

**LEGISLATIVE BRANCH**

*The Honorable Rex Hagg  
Speaker of the House*

*The Honorable M. Michael Rounds  
Senate Majority Leader*

*The Honorable Bernie Hunhoff  
Senate Minority Leader*

*The Honorable Larry Gabriel  
House Majority Leader*

*The Honorable Pat Haley  
House Minority Leader*

**JUDICIAL BRANCH**

*The Honorable Robert A. Miller  
Chief Justice*

*The Honorable David Gilbertson  
Associate Justice*

*The Honorable Robert Amundson  
Associate Justice*

*The Honorable John Konenkamp  
Associate Justice*

*The Honorable Richard Sabers  
Associate Justice*

# **SOUTH DAKOTA FY1998 FUNCTIONS OF STATE GOVERNMENT**

## **GENERAL GOVERNMENT**

Executive Management  
Revenue  
State Lottery  
Unified Judicial System  
Legislature  
Attorney General  
School and Public Lands  
Secretary of State  
State Treasurer  
State Auditor

## **HUMAN RESOURCES**

Social Services  
Health  
Labor  
Human Services  
Corrections

## **NATURAL RESOURCES**

Agriculture  
Game, Fish, and Parks  
Environment and Natural Resources

## **PROTECTION OF PUBLIC AND PRIVATE DOMAIN**

Commerce and Regulation  
Military and Veterans' Affairs

## **TRANSPORTATION**

Transportation

## **EDUCATION AND RESEARCH**

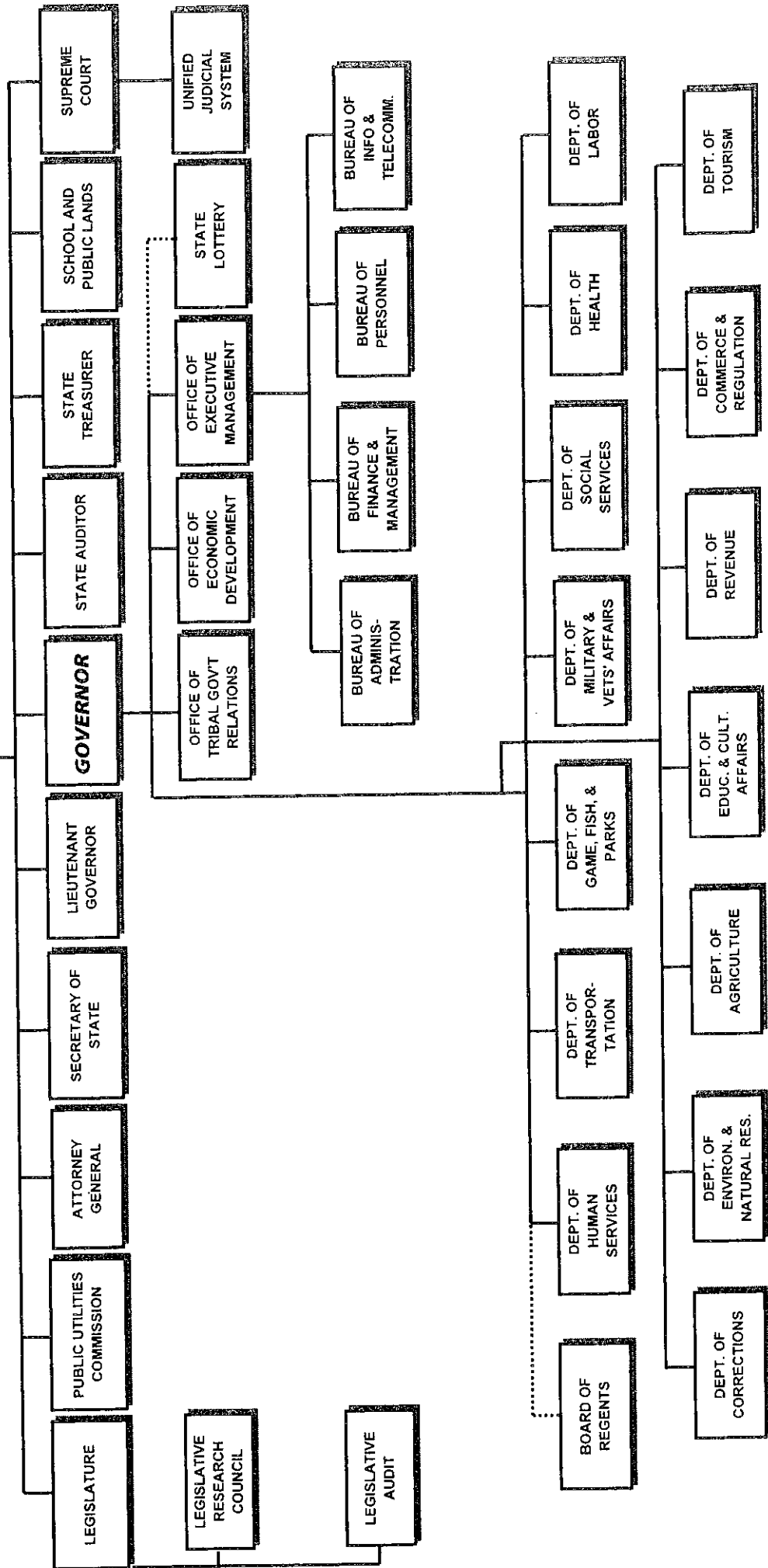
Education and Cultural Affairs  
Higher Education

## **ECONOMIC RESOURCES**

Economic Development  
Tourism



**SOUTH DAKOTA  
VOTERS**

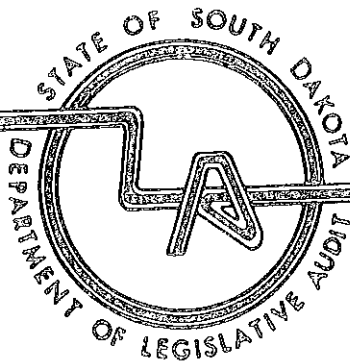




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# ***FINANCIAL SECTION***

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

MAURICE C. CHRISTIANSEN, CPA  
AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

The Honorable William J. Janklow  
Governor of South Dakota

and

Members of the Legislature  
State of South Dakota

We have audited the accompanying general purpose financial statements of the State of South Dakota as of and for the fiscal year ended June 30, 1998, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

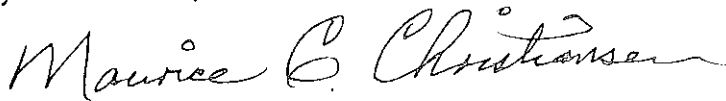
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable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

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of South Dakota as of June 30, 1998 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with government auditing standards, we have issued separate reports dated March 5, 1999 on our consideration of the State of South Dakota's internal control and compliance with laws, regulations contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The required supplementary information on the year 2000 disclosure and combining financial statements as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements. Except for the required supplementary information on the year 2000 disclosure, such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The year 2000 supplementary information on page 69 is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted of inquiries of management regarding year 2000 remediation and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the State of South Dakota is or will become year 2000 compliant, that year 2000 remediation efforts will be successful in whole or in part or that parties with which the State of South Dakota does business are or will become year 2000 compliant.

A handwritten signature in cursive script that reads "Maurice C. Christiansen".

Maurice C. Christiansen, CPA  
Auditor General

March 5, 1999

# **GENERAL PURPOSE FINANCIAL STATEMENTS**

**The "General Purpose Financial Statements" are displayed to give the reader an overview of the state's financial position, results of operations, and its cash flows. The following statements are included:**

**Combined Balance Sheet - All Fund Types and Account Groups**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds**

**Combined Statement of Expenditures, Budget and Actual (Budgetary Basis) – All Budgeted Fund Types**

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units**

**Combined Statement of Cash Flows – All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units**

**Statement of Changes in Plan Net Assets – Pension Trust Fund and Discretely Presented Component Units**

**Higher Education Combined Statement of Changes in Fund Balance**

**Higher Education Combined Statement of Current Funds Revenues, Expenditures, and Other Changes**

**Notes to the Financial Statements**

**STATE OF SOUTH DAKOTA  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS**

June 30, 1998

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
<b>Assets and Other Debits</b>						
Cash and Cash Equivalents	\$ 5,226	\$ 210,708	\$ 3,701	\$ 2,800	\$ 53,463	\$ 34,235
Investments		495	111,154	579	28,563	
Securities Lending Collateral	9,374	33,924		250	6,680	5,620
Accounts Receivable	1,040	2,154			4,359	299
<b>Taxes Receivable (Net)</b>	<b>8,758</b>	<b>335</b>				
Interest, Dividends & Penalties Receivable	4,211	170	25	14	899	
Loans and Notes Receivable (Net)		18,509			78,120	
Due From Other Funds	84,506	62,912	4,309	147	3,598	9,053
Due From Primary Government						
Due From Component Units					2,883	661
<b>Due From Other Governments</b>	<b>624</b>	<b>70,791</b>	<b>67</b>		<b>227</b>	<b>56</b>
Inventory	1,392	14,815			1,338	1,102
Advances To Other Funds	53	2,080				496
Restricted Assets:						
Cash and Cash Equivalents	35,152					
Investments						
<b>Deferred Fiscal Charges and Other Assets</b>	<b>592</b>	<b>1,887</b>			<b>617</b>	<b>1,283</b>
Property, Plant and Equipment (Net)					1,774	18,024
Amount to be Provided						
Amount Available in Debt Service						
<b>Total Assets</b>	<b>\$ 150,928</b>	<b>\$ 427,780</b>	<b>\$ 119,256</b>	<b>\$ 3,790</b>	<b>\$ 182,721</b>	<b>\$ 70,809</b>
<b>Liabilities, Equity and Other Credits</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 12,120	\$ 58,366	\$	\$ 16	\$ 1,091	\$ 1,729
Accrued Liabilities	4,758	6,904	2,993		569	964
Compensated Absences Payable	55	255			330	3,582
<b>Due To Other Funds</b>	<b>16,774</b>	<b>28,898</b>		<b>161</b>	<b>3,638</b>	<b>1,424</b>
Due To Primary Government						
Due To Component Units	6	267				19
Due To Other Governments	1,035	11,549				
Deferred Revenue	68	20,137			180	2,641
<b>Escrow Payable</b>					<b>48</b>	
Amounts Held in Custody for Others						
Advances From Other Funds	2,884	813				896
Policy Claim Liabilities						24,683
Securities Lending Collateral Liability	9,374	33,924		250	6,680	5,620
Bonds and Notes Payable (Net)					25,004	354
Certificates of Participation Payable						
<b>Trust Certificates Payable</b>						
Capital Lease Obligations					131	3,071
Other Liabilities					637	
<b>Total Liabilities</b>	<b>47,074</b>	<b>161,113</b>	<b>2,993</b>	<b>427</b>	<b>38,306</b>	<b>44,983</b>
<b>Equity and Other Credits</b>						
Contributions					43,685	16,473
Investment in Fixed Assets						
Retained Earnings:						
<b>Reserved</b>						
Unreserved					100,730	9,353
Fund Balance						
<b>Reserved</b>	<b>8,750</b>	<b>81,878</b>	<b>116,263</b>			
Unreserved:						
Designated	35,152					
Undesignated	59,952	184,789		3,363		
<b>Total Fund Equity</b>	<b>103,854</b>	<b>266,667</b>	<b>116,263</b>	<b>3,363</b>	<b>144,415</b>	<b>25,826</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 150,928</b>	<b>\$ 427,780</b>	<b>\$ 119,256</b>	<b>\$ 3,790</b>	<b>\$ 182,721</b>	<b>\$ 70,809</b>

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

Fiduciary Fund Type Trust And Agency	Account Groups		Component Units
	General Fixed Assets	General Long-Term Debt	
\$ 168,767			\$ 261,066
4,539,016			583,444
420,902			12,035
80,076			7,062
<u>86,719</u>			<u>12,345</u>
8,972			906,305
668			
8,045			3,127
			3,035
			<u>3,640</u>
<u>16,318</u>			<u>18,074</u>
2,017			
			494
			8,162
			<u>21,817</u>
			492,289
8,601	483,499	127,853	
		116,263	
<u>\$ 5,330,590</u>	<u>\$ 483,499</u>	<u>\$ 244,116</u>	<u>\$ 2,332,895</u>
\$ 278,097			\$ 7,333
4,276			17,186
175		34,696	23,401
<u>121,677</u>			<u>3,540</u>
			3,035
5,974			3,579
54,868			2,320
			<u>24,950</u>
			679
5,314			
53			
4,813			12,035
420,902		158,193	1,405,809
		243	252
		<u>50,547</u>	<u>11,118</u>
		437	557
			538
<u>896,020</u>	<u>0</u>	<u>244,116</u>	<u>1,516,332</u>
			5,873
	483,499		374,394
			<u>225,014</u>
			100,308
			<u>73,333</u>
<u>4,434,570</u>			<u>37,641</u>
			816,563
		0	
<u>\$ 5,330,590</u>	<u>\$ 483,499</u>	<u>\$ 244,116</u>	<u>\$ 2,332,895</u>





**STATE OF SOUTH DAKOTA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Governmental Fund Types			Fiduciary	Component
	General	Special Revenue	Debt Service	Expendable Trust	Housing Authority
Revenue:					
Taxes	\$ 547,930	\$ 123,765	\$	\$ 15,587	\$
Licenses, Permits and Fees	5,304	141,288	1,161	216	
Fines, Forfeits and Penalties	506	4,105		53	
Use of Money and Property	21,081	14,235	219	11,723	4
Sales and Services	5,130	14,110		261	
Administering Programs	2,809	762,241		152	19,251
Deferred Compensation			190	5,033	
Other Revenue	876	12,005	190	5,431	
Total Revenue	<u>583,636</u>	<u>1,071,749</u>	<u>1,570</u>	<u>38,456</u>	<u>19,255</u>
Expenditures:					
Current:					
Education and Research	287,964	80,006	26	11	
Economic Resources	1,635	25,624			14,760
General Government	40,519	27,371		1,744	
Human Resources	218,823	427,836		20,915	
Natural Resources	10,274	59,031		9	
Protection of Domain	6,732	78,282		6,027	
Transportation	393	337,120			
Capital Outlay					
Debt Service:					
Principal			11,797		
Interest			11,755		
Total Expenditures	<u>566,340</u>	<u>1,035,370</u>	<u>23,578</u>	<u>28,706</u>	<u>14,760</u>
Excess of Revenues Over (Under) Expenditures	<u>17,296</u>	<u>36,379</u>	<u>(22,008)</u>	<u>9,750</u>	<u>4,495</u>
Other Financing Sources (Uses):					
Bond Proceeds					
Proceeds of Refunding Bonds			12,931		
Payments on Advance Refundings			(12,834)		
Operating Transfers In	109,681	115,287	16,086	364	607
Operating Transfers From Component Units	12,000		161		
Operating Transfers Out	(26,706)	(116,903)	(10)	(1,000)	(1,014)
Operating Transfers To Component Units	(109,238)			(2)	
Net Other Financing Sources (Uses)	<u>(14,263)</u>	<u>(1,616)</u>	<u>16,334</u>	<u>1,027</u>	<u>(407)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>3,033</u>	<u>34,763</u>	<u>(5,674)</u>	<u>657</u>	<u>4,495</u>
Fund Balance at Beginning of Year, restated	100,821	231,904	121,937	2,706	98,089
Residual Equity Transfer In		3,080			
Residual Equity Transfer Out		(3,080)			
Fund Balance at End Of Year	<u>\$ 103,854</u>	<u>\$ 266,667</u>	<u>\$ 116,263</u>	<u>\$ 3,363</u>	<u>\$ 14,273</u>

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

**STATE OF SOUTH DAKOTA  
COMBINED STATEMENT OF EXPENDITURES  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
ALL BUDGETED FUND TYPES**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

Department	GENERAL			FEDERAL		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
<b>EXECUTIVE MANAGEMENT</b>						
Personal Services	\$ 4,521	\$ 4,461	\$ 60	\$ 474	\$ 352	\$ 122
Operating Expenses	19,708	19,658	50	68,957	65,348	3,609
<b>Total</b>	<u>24,229</u>	<u>24,119</u>	<u>110</u>	<u>69,431</u>	<u>65,700</u>	<u>3,731</u>
<b>REVENUE</b>						
Personal Services	498	497	1			0
Operating Expenses	1,222	1,131	91	95	88	7
<b>Total</b>	<u>1,720</u>	<u>1,628</u>	<u>92</u>	<u>95</u>	<u>88</u>	<u>7</u>
<b>AGRICULTURE</b>						
Personal Services	2,368	2,321	47	1,152	903	249
Operating Expenses	1,108	1,103	5	1,066	871	195
<b>Total</b>	<u>3,476</u>	<u>3,424</u>	<u>52</u>	<u>2,218</u>	<u>1,774</u>	<u>444</u>
<b>TOURISM</b>						
Personal Services			0			0
Operating Expenses			0			0
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>GAME, FISH AND PARKS</b>						
Personal Services	1,921	1,921	0	240	231	9
Operating Expenses	7,638	6,043	1,595	1,357	1,152	205
<b>Total</b>	<u>9,559</u>	<u>7,964</u>	<u>1,595</u>	<u>1,597</u>	<u>1,383</u>	<u>214</u>
<b>SOUTH DAKOTA LOTTERY</b>						
Personal Services			0			0
Operating Expenses			0			0
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>SOCIAL SERVICES</b>						
Personal Services	9,374	9,212	162	17,496	17,183	313
Operating Expenses	107,002	106,769	233	245,321	241,652	3,669
<b>Total</b>	<u>116,376</u>	<u>115,981</u>	<u>395</u>	<u>262,817</u>	<u>258,835</u>	<u>3,982</u>
<b>HEALTH</b>						
Personal Services	2,528	2,528	0	5,662	5,607	55
Operating Expenses	3,305	3,305	0	7,533	7,364	169
<b>Total</b>	<u>5,833</u>	<u>5,833</u>	<u>0</u>	<u>13,195</u>	<u>12,971</u>	<u>224</u>
<b>LABOR</b>						
Personal Services	289	286	3	11,068	10,721	347
Operating Expenses	89	87	2	13,016	11,991	1,025
<b>Total</b>	<u>378</u>	<u>373</u>	<u>5</u>	<u>24,084</u>	<u>22,712</u>	<u>1,372</u>
<b>TRANSPORTATION</b>						
Personal Services	174	174	0	4,203	4,193	10
Operating Expenses	257	257	0	15,964	15,922	42
<b>Total</b>	<u>431</u>	<u>431</u>	<u>0</u>	<u>20,167</u>	<u>20,115</u>	<u>52</u>

OTHER		
Budgeted	Actual	Variance
\$ 19,345	\$ 17,269	\$ 2,076
51,801	42,992	8,809
<u>71,146</u>	<u>60,261</u>	<u>10,885</u>
5,495	5,480	15
4,761	4,171	590
<u>10,256</u>	<u>9,651</u>	<u>605</u>
888	751	137
2,479	1,763	716
<u>3,367</u>	<u>2,514</u>	<u>853</u>
776	700	76
3,940	3,916	24
<u>4,716</u>	<u>4,616</u>	<u>100</u>
3,971	3,971	0
5,793	4,886	907
<u>9,764</u>	<u>8,857</u>	<u>907</u>
461	344	117
1,002	889	113
<u>1,463</u>	<u>1,233</u>	<u>230</u>
174	152	22
5,446	3,812	1,634
<u>5,620</u>	<u>3,964</u>	<u>1,656</u>
1,611	1,556	55
3,139	2,913	226
<u>4,750</u>	<u>4,469</u>	<u>281</u>
1,195	1,098	97
1,300	1,151	149
<u>2,495</u>	<u>2,249</u>	<u>246</u>
32,787	31,251	1,536
45,768	41,133	4,635
<u>78,555</u>	<u>72,384</u>	<u>6,171</u>

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**STATE OF SOUTH DAKOTA  
 COMBINED STATEMENT OF EXPENDITURES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 ALL BUDGETED FUND TYPES (Continued)**

For the Fiscal Year Ended June 30, 1998  
 (Expressed in Thousands)

Department	GENERAL			FEDERAL		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
<b>EDUCATION AND CULTURAL AFFAIRS</b>						
Personal Services	2,988	2,837	151	2,341	2,073	268
Operating Expenses	288,682	288,003	679	76,954	71,814	5,140
<b>Total</b>	<b>291,670</b>	<b>290,840</b>	<b>830</b>	<b>79,295</b>	<b>73,887</b>	<b>5,408</b>
<b>COMMERCE AND REGULATION</b>						
Personal Services	1,053	1,018	35	263	166	97
Operating Expenses	1,640	1,636	4	1,571	1,125	446
<b>Total</b>	<b>2,693</b>	<b>2,654</b>	<b>39</b>	<b>1,834</b>	<b>1,291</b>	<b>543</b>
<b>HIGHER EDUCATION</b>						
Appropriation	112,783	112,735	48	52,870	41,938	10,932
<b>MILITARY AND VETERANS' AFFAIRS</b>						
Personal Services	2,260	2,234	26	382	362	20
Operating Expenses	1,801	1,800	1	922	922	0
<b>Total</b>	<b>4,061</b>	<b>4,034</b>	<b>27</b>	<b>1,304</b>	<b>1,284</b>	<b>20</b>
<b>CORRECTIONS</b>						
Personal Services	21,815	21,815	0	682	579	103
Operating Expenses	16,585	16,580	5	2,612	2,548	64
<b>Total</b>	<b>38,400</b>	<b>38,395</b>	<b>5</b>	<b>3,294</b>	<b>3,127</b>	<b>167</b>
<b>HUMAN SERVICES</b>						
Personal Services	20,199	20,143	56	16,147	16,017	130
Operating Expenses	37,585	37,568	17	54,844	54,659	185
<b>Total</b>	<b>57,784</b>	<b>57,711</b>	<b>73</b>	<b>70,991</b>	<b>70,676</b>	<b>315</b>
<b>ENVIRONMENT AND NATURAL RESOURCES</b>						
Personal Services	3,634	3,390	244	2,323	2,050	273
Operating Expenses	1,100	1,100	0	1,987	1,770	217
<b>Total</b>	<b>4,734</b>	<b>4,490</b>	<b>244</b>	<b>4,310</b>	<b>3,820</b>	<b>490</b>
<b>UNIFIED JUDICIAL SYSTEM</b>						
Personal Services	16,498	16,497	1			0
Operating Expenses	2,108	2,108	0	203	106	97
<b>Total</b>	<b>18,606</b>	<b>18,605</b>	<b>1</b>	<b>203</b>	<b>106</b>	<b>97</b>
<b>LEGISLATIVE</b>						
Personal Services	1,634	1,560	74			0
Operating Expenses	292	277	15			0
L.R.C. Appropriation	3,499	3,253	246			0
<b>Total</b>	<b>5,425</b>	<b>5,090</b>	<b>335</b>	<b>0</b>	<b>0</b>	<b>0</b>

OTHER		
Budgeted	Actual	Variance
379	307	72
1,914	921	993
<u>2,293</u>	<u>1,228</u>	<u>1,065</u>
14,209	13,643	566
5,570	5,136	434
<u>19,779</u>	<u>18,779</u>	<u>1,000</u>
112,978	99,000	13,978
1,170	1,111	59
933	910	23
<u>2,103</u>	<u>2,021</u>	<u>82</u>
952	912	40
2,990	2,256	734
<u>3,942</u>	<u>3,168</u>	<u>774</u>
215	205	10
2,077	1,938	139
<u>2,292</u>	<u>2,143</u>	<u>149</u>
1,645	1,549	96
8,248	865	7,383
<u>9,893</u>	<u>2,414</u>	<u>7,479</u>
38	38	0
1,399	1,352	47
<u>1,437</u>	<u>1,390</u>	<u>47</u>
		0
		0
90	51	39
<u>90</u>	<u>51</u>	<u>39</u>

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**STATE OF SOUTH DAKOTA  
 COMBINED STATEMENT OF EXPENDITURES  
 BUDGET AND ACTUAL (BUDGETARY BASIS)  
 ALL BUDGETED FUND TYPES (Continued)**

For the Fiscal Year Ended June 30, 1998  
 (Expressed in Thousands)

Department	GENERAL			FEDERAL		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
<b>ATTORNEY GENERAL</b>						
Personal Services	4,214	4,214	0	1,175	1,072	103
Operating Expenses	1,145	1,145	0	2,888	1,506	1,382
<b>Total</b>	<u>5,359</u>	<u>5,359</u>	<u>0</u>	<u>4,063</u>	<u>2,578</u>	<u>1,485</u>
<b>SCHOOL AND PUBLIC LANDS</b>						
Personal Services	319	318	1			0
Operating Expenses	105	104	1			0
<b>Total</b>	<u>424</u>	<u>422</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>SECRETARY OF STATE</b>						
Personal Services	503	503	0			0
Operating Expenses	135	134	1			0
<b>Total</b>	<u>638</u>	<u>637</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>STATE TREASURER</b>						
Personal Services	208	208	0			0
Operating Expenses	137	137	0			0
<b>Total</b>	<u>345</u>	<u>345</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>STATE AUDITOR</b>						
Personal Services	595	586	9			0
Operating Expenses	98	98	0			0
<b>Total</b>	<u>693</u>	<u>684</u>	<u>9</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>STATE OF SOUTH DAKOTA</b>						
Personal Services	97,593	96,723	870	63,608	61,509	2,099
Operating Expenses	491,742	489,043	2,699	495,290	478,838	16,452
Higher Education Appropriation	112,783	112,735	48	52,870	41,938	10,932
L.R.C. Appropriation	3,499	3,253	246	0	0	0
<b>Total</b>	<u>\$ 705,617</u>	<u>\$ 701,754</u>	<u>\$ 3,863</u>	<u>\$ 611,768</u>	<u>\$ 582,285</u>	<u>\$ 29,483</u>

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



OTHER		
Budgeted	Actual	Variance
1,134	1,110	24
1,692	1,503	189
<u>2,826</u>	<u>2,613</u>	<u>213</u>
		0
210	198	12
<u>210</u>	<u>198</u>	<u>12</u>
		0
120	120	0
<u>120</u>	<u>120</u>	<u>0</u>
1,815	1,375	440
1,044	818	226
<u>2,859</u>	<u>2,193</u>	<u>666</u>
		0
		0
<u>0</u>	<u>0</u>	<u>0</u>
88,260	82,822	5,438
151,626	123,643	27,983
112,978	99,000	13,978
90	51	39
<u>\$ 352,954</u>	<u>\$ 305,516</u>	<u>\$ 47,438</u>



**STATE OF SOUTH DAKOTA**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS/FUND BALANCES**  
**ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS**  
**AND DISCRETELY PRESENTED COMPONENT UNITS**

For the Fiscal Year Ended June 30, 1998

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Component Units
	Enterprise	Internal Service	Nonexpendable Trust	Enterprise
Operating Revenue:				
Licenses, Permits, and Fees	\$ 1,184	\$	\$	\$ 3,439
Use of Money and Property	3,822	7	18,871	103,553
<b>Sales and Services</b>	<b>127,997</b>	<b>105,459</b>		<b>62,476</b>
Administering Programs	11,111			
Other Revenue	6	332		
Total Operating Revenue	<u>143,520</u>	<u>105,798</u>	<u>18,871</u>	<u>169,468</u>
Operating Expenses:				
Personal Services and Benefits	2,441	20,405		12,240
Travel	185	551		279
Contractual Services	7,366	24,868		16,499
<b>Supplies and Materials</b>	<b>5,829</b>	<b>12,260</b>		<b>11,814</b>
Grants			10,524	3,277
Other	5		45	66
Interest	1,186	141		77,403
Bad Debts	161			149
<b>Depreciation/Amortization</b>	<b>425</b>	<b>5,407</b>		<b>5,618</b>
Lottery Prizes	15,580			
Insurance Claims		45,527		
Total Operating Expenses	<u>33,178</u>	<u>109,179</u>	<u>10,569</u>	<u>127,345</u>
Operating Income (Loss)	<u>110,342</u>	<u>(3,381)</u>	<u>8,302</u>	<u>42,123</u>
Nonoperating Revenue (Expenses):				
Loss on Disposal of Assets	(150)	(100)		(62)
Interest Income	3,287	2,076		2,555
Other Expense	(739)	(186)		
Grant and Other Income	102			215
Loss on Extinguishment of Debt				(824)
Total Nonoperating Revenue (Expenses)	<u>2,500</u>	<u>1,790</u>	<u>0</u>	<u>1,884</u>
Net Income (Loss) Before Operating Transfers	112,842	(1,591)	8,302	44,007
Operating Transfers:				
Operating Transfers In	59	1,015	93	
Operating Transfers From Primary Government				127
<b>Operating Transfers Out</b>	<b>(97,107)</b>		<b>(452)</b>	
Operating Transfers To Primary Government				(12,000)
Operating Transfers To Component Units			(1,684)	
Net Operating Transfers	<u>(97,048)</u>	<u>1,015</u>	<u>(2,043)</u>	<u>(11,873)</u>
Net Income (Loss)	15,794	(576)	6,259	32,134
Retained Earnings/Fund Balance at				
Beginning of Year, restated	84,909	10,473	149,025	293,188
Decrease in Contributed Capital	27			
Residual Equity Transfers Out		(544)		
Retained Earnings/Fund Balance at End of Year	<u>\$ 100,730</u>	<u>\$ 9,353</u>	<u>\$ 155,284</u>	<u>\$ 325,322</u>

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

**STATE OF SOUTH DAKOTA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS**  
**AND DISCRETELY PRESENTED COMPONENT UNITS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary	Component
	Enterprise	Internal Service	Fund Type Nonexpendable Trust	Unit Enterprise
Cash Flows from Operating Activities:				
Operating Income/(Loss) Before Transfers	\$ 110,342	\$ (3,981)	\$ 8,302	\$ 42,123
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Depreciation/Amortization Expense	425	5,407		5,618
Bad Debt Expense	161			149
Unamortized Charges Expensed	95			
Investment Income	(1,703)		(16,597)	(45,441)
Interest Expense	1,091	142		77,389
Miscellaneous Nonoperating Items	(223)	3,905		187
Decrease/(Increase) in Assets:				
Accounts Receivable	61	3	(3)	276
Interest Dividends & Penalties Receivable	(108)		11	(265)
Loans and Notes Receivable	(6,457)		426	(119,879)
Due From Other Funds	25	(878)	(23)	
Due From Component Units	35	(203)		8
Due From Other Governments	(126)	(13)		(107)
Inventory	(296)	(270)		(1,135)
Deferred Fiscal Charges and Other Assets	7	(198)		(170)
Increase/(Decrease) in Liabilities:				
Accounts Payable	390	216		(1,414)
Accrued Liabilities	(16)	124		281
Compensated Absences Payable	4	246		(79)
Due To Other Funds	(188)	191	69	
Due To Primary Government				65
Due To Component Units			121	2
Due To Other Governments		(4)		
Deferred Revenue	22	(93)		(103)
Escrow Payable	(20)			547
Policy Claim Liabilities		1,005		
Other Liabilities	8			(2,969)
Total Adjustments	(6,815)	9,580	(14,996)	(86,826)
Net Cash Provided (Used) by Operating Activities	103,527	6,199	(6,694)	(44,703)
Cash Flows From Capital and Related Financing				
Activities:				
Purchases of Capital Assets	(116)	(4,907)		(7,306)
Sales of Capital Assets	22	314		34
Sales of Other Assets	25			
Payments on Notes		(90)		
Payments on Capital Lease Obligations	(65)	(1,216)		(37)
Capital Contributed		323		
Operating Transfers From Primary Government				127
Net Cash Provided (Used) by Capital and Related Financing Activities	(134)	(5,576)		(7,182)

Continued on next page

**STATE OF SOUTH DAKOTA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS**  
**AND DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary	Component
	Enterprise	Internal Service	Nonexpendable Trust	Unit Enterprise
Cash Flows From Noncapital Financing Activities:				
Operating Transfers In	59	1,015	93	
Operating Transfers Out	(97,107)		(452)	
Operating Transfers To Component Units			(1,684)	
<b>Operating Transfers To Primary Government</b>				<b>(12,000)</b>
Contributed Capital	1,424			
Residual Equity Transfers Out		(326)		
Issuance of Bonds	6,450			496,015
Issuance of Notes and Loans				295
<b>Payments on Bonds and Notes</b>	<b>(675)</b>			<b>(262,485)</b>
Payments on Loans				(239)
Bond Issuance Costs	(301)			(3,210)
Interest Payments on Bonds and Notes	(1,087)			(76,481)
Net Cash Provided(Used) From Noncapital Financing Activities	<u>(91,237)</u>	<u>689</u>	<u>(2,043)</u>	<u>141,895</u>
Cash Flows From Investing Activities:				
Investment Income	4,409	1,997	10,449	43,010
Purchase of Investment Securities	(9,160)		(24,029)	(843,395)
Proceeds From Sales and Maturities of Investment Securities	3,448		25,748	733,235
Security Lending Rebate Fees	(277)	(184)	(45)	
Net Cash Provided by Investing Activities	<u>(1,580)</u>	<u>1,813</u>	<u>12,123</u>	<u>(67,150)</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	10,576	3,125	3,386	22,860
Cash and Cash Equivalents at Beginning of Year, Restated	42,887	31,110	11,216	167,646
Cash and Cash Equivalents at End of Year	<u>\$ 53,463</u>	<u>\$ 34,235</u>	<u>\$ 14,602</u>	<u>\$ 190,506</u>
Noncash Investing, Capital and Financing Activities:				
Loss/(Gain) on Disposal of Fixed Assets	288	136		62
Donation of Fixed Assets		748		11
<b>Capital Lease Obligations Entered Into</b>		<b>2,679</b>		<b>68</b>
Residual Equity Transfers Out		218		
Capitalized Interest on Capital Accumulator Bonds				138
Extinguishment of Debt				824
<b>Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:</b>				
		<b>Trust and Agency</b>	<b>Component Units</b>	
Nonexpendable Trust		\$ 14,602	\$	
Proprietary Component Units				190,506
Other Trust and Agency		154,165		
Other Component Units				71,054
Total Cash and Cash Equivalents per Combined Balance Sheet		<u>\$ 168,767</u>	<u>\$</u>	<u>261,560</u>

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



**STATE OF SOUTH DAKOTA**  
**STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUND AND DISCRETELY PRESENTED**  
**COMPONENT UNITS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Component Units		
	South Dakota Retirement System	Cement Plant Retirement System	Perpetuity Fund
<b>Additions</b>			
Contributions:			
Employee	\$ 51,709	\$ 26	\$
Employer	47,145		
Total Contributions	<u>98,854</u>	<u>26</u>	
Investment Income:			
<i>From Investing Activities</i>			
Net Increase in Fair Value of Investments	543,028	3,434	167
Interest	70,783	429	166
Dividends	36,093	252	
Futures Income		15	
Real Estate	22,770	116	
Investment Activity Income	672,674	4,246	333
Less Investment Activity Expenses	(7,760)		
Net Investment Activity Income	664,914	4,246	333
<i>From Security Lending Activities</i>			
Security Lending Income	24,243		
Security Lending Expenses	(23,005)		
Net Security Lending Activity Income	1,238	0	0
Total Investment Income	<u>666,152</u>	<u>4,246</u>	<u>333</u>
<b>Total Additions</b>	<u>765,006</u>	<u>4,272</u>	<u>333</u>
<b>Deductions</b>			
Benefits	100,700	885	134
Refunds of Contributions	7,114		
Administrative Expenses	2,055	69	8
<b>Total Deductions</b>	<u>109,869</u>	<u>954</u>	<u>142</u>
Net Increase	655,137	3,318	191
<b>Net Assets Held In Trust For Pension Benefits</b>			
Beginning of Year	3,516,717	23,130	2,250
End of Year	<u>\$ 4,171,854</u>	<u>\$ 26,448</u>	<u>\$ 2,441</u>

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



STATE OF SOUTH DAKOTA  
HIGHER EDUCATION  
COMBINED STATEMENT OF CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues and Other Additions:			
Tuition and Fees	\$ 71,106	\$ 6,473	\$
Federal Appropriations		36,007	891
Federal Grants and Contracts	50	3,187	
State Grants and Contracts	1,094	9,450	
Private Gifts, Grants and Contracts	157		
Auxiliary Enterprise Revenue	30,486		
Retirement of Indebtedness			
Indirect Cost Recovery	2,440		
Investment Income	1,591	4	697
Expended for Plant Facilities			
Transfer of Bonds to Investment in Plant	18,262		
Sales and Services	2,476		25
Other Sources			
Total Revenue and Other Additions	<u>127,662</u>	<u>55,121</u>	<u>1,613</u>
Expenditures and Other Deductions:			
Education and General	199,478	52,890	
Auxiliary Enterprise	28,558	138	
Expended for Plant Facilities			
Retirement of Indebtedness			
Interest on Indebtedness		2,400	40
Indirect Costs Recovered			
Disposal of Plant			543
Loan Cancellations and Write-Offs			354
Administrative and Collection Costs			
Transfer of Bonds From Unexpended Plant Funds			
Other	4		
Total Expenditures and Other Deductions	<u>228,040</u>	<u>55,428</u>	<u>937</u>
Transfers Among Funds - Additions (Deductions):			
Non-Mandatory:			
Net Interfund Transfers	(7,973)	338	
Operating Transfers To Primary Government	110,795		
Operating Transfers From Primary Government			
Mandatory:			
Principal and Interest	(7,055)	(10)	
Renewals and Replacements	(1,806)		194
Loan Fund Matching	(194)		
Net Transfers In (Out)	<u>93,767</u>	<u>328</u>	<u>194</u>
Net Increase (Decrease) for Year	(6,611)	21	870
Fund Balance at Beginning of Year, restated	<u>26,943</u>	<u>2,637</u>	<u>29,945</u>
Fund Balance at End of Year	<u>\$ 20,332</u>	<u>\$ 2,658</u>	<u>\$ 30,815</u>

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

Plant Funds

Unexpended Plant Funds	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant	Total
\$ 75	\$ 1,106	\$	\$	\$ 72,287
				6,473
				36,948
				<del>4,281</del>
339			115	10,061
				30,486
			3,116	3,116
				2,440
<del>104</del>	<del>521</del>	<del>296</del>		<del>3,213</del>
			29,362	29,362
4,480				4,480
				18,262
133	120	101		2,855
<u>5,131</u>	<u>1,747</u>	<u>397</u>	<u>32,593</u>	<u>224,264</u>
				252,368
				28,696
<del>6,295</del>	<del>5,941</del>			<del>12,236</del>
		3,116		3,116
4		4,015		4,019
				2,440
			<del>8,102</del>	<del>8,102</del>
				543
				354
			4,480	4,480
3		38		45
<u>6,302</u>	<u>5,941</u>	<u>7,169</u>	<u>12,582</u>	<u>316,399</u>
				525
	7,407	(297)		0
<del>(108)</del>		<del>(53)</del>		<del>(161)</del>
2				110,797
		7,065		0
(5)	1,811			0
				0
<u>414</u>	<u>9,218</u>	<u>6,715</u>	<u>0</u>	<u>110,636</u>
				(757)
	5,024	(57)	20,011	18,501
<u>2,274</u>	<u>7,172</u>	<u>351</u>	<u>354,383</u>	<u>423,705</u>
<u>\$ 1,517</u>	<u>\$ 12,196</u>	<u>\$ 294</u>	<u>\$ 374,394</u>	<u>\$ 442,206</u>

**STATE OF SOUTH DAKOTA  
HIGHER EDUCATION  
COMBINED STATEMENT OF CURRENT FUNDS REVENUES,  
EXPENDITURES, AND OTHER CHANGES**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Unrestricted	Restricted	Total Current Funds
Revenues:			
Tuition and Fees	\$ 71,106	\$	\$ 71,106
Federal Appropriations	50	6,488	6,488
Federal Grants and Contracts	1,094	33,943	33,993
State Grants and Contracts	157	2,477	3,571
Private Gifts, Grants and Contracts	30,446	10,126	10,283
Auxiliary Enterprise Revenue	1,591	4	30,446
Investment Income	23,218		1,595
Sales and Services	127,662	53,038	23,218
Total Revenue	<u>127,662</u>	<u>53,038</u>	<u>180,700</u>
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	92,172	4,314	96,486
Research	13,122	14,720	27,842
Public Service	12,343	12,461	24,804
Academic Support	28,015	806	28,821
Student Services	16,273	1,152	17,425
Institutional Support	23,755	263	24,018
Operation and Maintenance of Plant	13,115	29	13,144
Scholarships and Fellowships	683	19,145	19,828
Education and General Expenditures	<u>199,478</u>	<u>52,890</u>	<u>252,368</u>
Auxiliary Enterprises:			
Expenditures	28,558	138	28,696
Mandatory Transfers:			
For Principal and Interest	7,055	10	7,065
For Renewals and Replacements	1,806		1,806
For Loan Fund Matching	194		194
Total Mandatory Transfers	<u>9,055</u>	<u>10</u>	<u>9,065</u>
Total Expenditures and Mandatory Transfers	<u>237,091</u>	<u>53,038</u>	<u>290,129</u>
Other Transfers and Additions (Deductions):			
Operating Transfers From Primary Government	110,795		110,795
Net Transfers In (Out)	(7,973)	338	(7,635)
Other Fund Balance Changes	(4)		(4)
Excess of Restricted Receipts Over (Under)		(317)	(317)
Transfers to Revenue	102,818	21	102,839
Total Other Transfers and Additions (Deductions)	<u>102,818</u>	<u>21</u>	<u>102,839</u>
Net Increase/(Decrease) in Fund Balance	<u>\$ (6,611)</u>	<u>\$ 21</u>	<u>\$ (6,590)</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

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# NOTES TO THE FINANCIAL STATEMENTS

## JUNE 30, 1998

### 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). University funds reported under the higher education discrete presentation have been prepared in conformity with generally accepted accounting principles for colleges and universities as prescribed by the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants.

#### B. Reporting Entity

For financial reporting purposes, the state of South Dakota includes all fund types and account groups administered by state departments, bureaus, boards, commissions, universities, and authorities determined to be part of the state's financial reporting entity in accordance with GASB Statement No. 14.

GASB Statement No. 14 identifies the basic criterion for including a potential component unit in a governmental unit's reporting entity. The reporting entity includes all organizations for which the primary government is 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.

Despite being legally separate entities, some component units may be so intertwined with the primary government that they are, in substance, the same as the primary government. These component units are blended and reported as a part of the primary government. The Building Authority, South Dakota Conservancy District and the Vocational Education Bond Program administered by the Health and Educational Facilities Authority were blended with the primary government.

Component units that are legally separate organizations, but are financially accountable to the state or their exclusion would cause the state's financial statements to be misleading or incomplete, are discretely presented. The following entities are included in the Component Unit columns in the financial statements.

Conservation Reserve Enhancement Program (CREP)  
Cement Plant  
South Dakota Finance Authority  
State Fair  
South Dakota Housing Authority  
Higher Education

Related organizations are excluded from the reporting entity because the state's accountability does not extend beyond appointing a voting majority of the organizations board members. The Health and Educational Facilities Authority was not included in the reporting entity except for the Vocational Education Bond Program administered by the Authority.

Financial statements of the component units are available from the Bureau of Finance and Management.

#### C. Fund Accounting

Financial activities of the state are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Financial resources are segregated by fund for the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Account groups are presented for general fixed assets and general long-term debt.

The state has established the following fund categories, fund types, and account groups:

#### GOVERNMENTAL FUNDS

**General Fund** - Is the primary operating fund of the state. It is used to account for all financial resources, except those required to be accounted for in another fund.

**Special Revenue Funds** - Account for specific revenue sources that are legally restricted to expenditures for specific purposes. Special revenue funds account for federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

**Debt Service Funds** - Account for resources accumulated for the retirement of general long-term debt principal and interest.

**Capital Projects Funds** - Account for financial resources to be used for the acquisition or construction

of major capital facilities (other than those financed by proprietary, fiduciary, or higher education funds).

## **PROPRIETARY FUNDS**

**Enterprise Funds** - Account for activities that are financed and operated in a manner similar to private business enterprises where: (a) the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or, (b) the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate.

**Internal Service Funds** - Account for the financing of goods or services provided by one department or agency to other departments or agencies of the state, or to other governments, on a cost-reimbursement basis.

## **FIDUCIARY FUNDS**

**Trust and Agency Funds** - Account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, nonexpendable trust, pension trust, and agency funds. Nonexpendable trust and pension trust funds are accounted for in the same manner as proprietary funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve the measurement of the results of operations.

## **ACCOUNT GROUPS**

**General Fixed Asset Account Group** - Accounts for all fixed assets acquired or constructed by governmental and expendable trust funds.

**General Long-Term Debt Account Group** - Accounts for long-term obligations of governmental funds and expendable trust funds not paid with current resources. Long-term obligations include bonds, accrued annual and sick leave, and capital leases.

## **COMPONENT UNITS**

The Component Units include proprietary, fiduciary, and governmental type organizations, along with higher education, that are legally separate from the state, but are considered a part of the reporting entity. The Cement Plant component unit enterprise and pension trust funds are reported using a December 31, 1997 fiscal year-end.

The higher education discrete presentation reflects transactions related to resources received and used for the operation of the state's universities. The higher education funds include:

**Current Funds - Unrestricted** - Account for economic resources that are expendable for the purpose of performing the primary objectives of the universities for which no stipulation has been made by donors or other external agencies as to the purpose for which they should be expended.

**Current Funds - Restricted** - Account for resources received from donors or other external agencies that are restricted by them for specific operating purposes.

**Loan Funds** - Account for resources available for loans to students.

**Plant Funds** - Account for: (1) resources to be used in the acquisition of physical properties, but unexpended at the date of reporting; (2) resources set aside for renewals and replacements; (3) resources set aside for debt service charges and for retirement of indebtedness; and, (4) resources expended for and thus invested in university property.

**Agency Funds** - Account for resources held by a university acting in the capacity of an agent for distribution to designated beneficiaries.

## **D. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Governmental, expendable trust, and agency funds are reported on the modified accrual basis of accounting. Revenues of governmental and expendable trust funds are recognized when they become measurable and available as net current assets. Significant revenue sources that are susceptible to accrual include sales tax, motor fuel taxes, bank card taxes, grant revenues, investment income, and charges for goods and services. Fines, penalties, licenses, and other miscellaneous revenues are recognized when received since they are normally measurable only at that time.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick leave, and other employee amounts are accrued only to the extent that the expenditure would be made from expendable available financial resources with long-term portions reported in the general long-term debt account group; and, (2) principal and interest on general long-term obligations are recognized when due.

Proprietary, pension trust, and nonexpendable trust funds are reported on the accrual basis of accounting.

Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The state's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Higher education, a component unit, is reported on the accrual basis of accounting, except that depreciation is not reported for plant fund assets.

### **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.

Interim appropriations are requested by state agencies through the Bureau of Finance and Management. The Joint Committee on Appropriations reviews the requests and makes the final determination. During fiscal year 1998, interim appropriations of \$72,544,305 were approved.

Monies appropriated on a program basis by the general appropriations act may be transferred between program accounts within or between departments and bureaus at the written request of the state agency with the approval of the Legislative Interim Appropriations Committee.

The general appropriations act includes only appropriations for ordinary current and capital expenses of the executive, legislative, and judicial branches of the state. By law, appropriations are classified into general, federal, and other fund classifications. The budget is controlled at the program level for personal services and operating expenses. Detailed appropriation information at this level is presented in the Available Funds Report that is available at the Bureau of Finance and Management. Encumbrances and certain monies available to departments and component units are not included in the general appropriations act and are not budgeted.

The state's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances at June 30, 1998 totaled \$78,339,413. The total includes \$55,759,381 encumbered in the Governor's Office federal fund for disaster assistance

monies awarded under the Community Development Block Grant that will be disbursed to local governments.

Budget authority and appropriations in an amount equal to outstanding encumbrances may be carried forward for two fiscal years after the expiration of the appropriation acts with the approval of the Commissioner of the Bureau of Finance and Management.

### **F. Budgetary - GAAP Reporting Reconciliation**

The Combined Statement of Expenditures - Budget and Actual (Budgetary Basis), All Budgeted Fund Types, presents comparisons of the general appropriations act with actual data on the budgetary basis. Because accounting principles used to present budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the different basis for the fiscal year ended June 30, 1998 is presented below (expressed in thousands):

	<u>GENERAL FUND</u>	<u>FEDERAL FUND</u>	<u>OTHER FUND</u>	<u>SPECIAL REVENUE</u>
Expenditures, Budget Basis	\$701,754	\$582,285	\$305,516	\$
Adjustments:				
To Adjust for Encumbrances	(8,902)	(61,136)	(5,331)	
To Adjust Expenditures/Expenses for Accruals	(27,400)			53,778
To Adjust for Budgeted Transfers	(70)	(560)	(89)	
Reclassification and Other Adjustments:				
To Eliminate Colleges and Universities	(109,110)	(41,816)	(98,720)	
To Reclassify Expenditures into Financial Statement Fund Types		(478,773)	(201,376)	617,855
To Record Nonbudgeted Expenditures/Expenses	<u>10,068</u>			<u>363,737</u>
Expenditures/Expenses (GAAP Basis)	<u>\$566,340</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,035,370</u>
	<u>EXPENDABLE TRUST</u>	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>PENSION TRUST</u>
Expenditures, Budget Basis				
Adjustments:				
To Adjust Expenditures for Accruals	\$ 1,747	\$ 987	\$ 5,287	\$ 1,625
Reclassification and Other Adjustments:				
To Reclassify Expenditures into Financial Statement Fund Types	1,197	4,322	54,968	1,807
To Record Nonbudgeted Expenditures	<u>25,762</u>	<u>28,758</u>	<u>49,210</u>	<u>137,202</u>
Expenditures (GAAP Basis)	<u>\$ 28,706</u>	<u>\$ 34,067</u>	<u>\$109,465</u>	<u>\$140,634</u>

## G. Cash and Cash Equivalents and Investments

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

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

## H. Inventories

Inventories reported in the governmental fund types are reported at cost using the moving average cost method. Proprietary fund type inventories are valued

at the lower of cost or market, using the moving average cost method. Inventories reported in the higher education discrete presentation are reported at cost using the FIFO method, except for livestock inventories that are reported at June 30, 1998 market price. Inventories are expensed using the consumption method for governmental funds, proprietary funds, and the higher education discrete presentation.

Food stamps on hand are reported at their face value and commodities are reported at the fair values established by the federal government when received. Food stamps and commodities are reported in special revenue funds as revenue and expenditures when distributed. Inventories on hand at year-end are offset with deferred revenue. At June 30, 1998, food stamps and commodity inventories were reported in the amounts of \$2,098,198 and \$418,783, respectively.



## I. Deferred Fiscal Charges and Other Assets

Deferred charges are the amortization of bond and note issuance costs, using the bonds outstanding method, over the life of the bonds.

## J. Property, Plant, and Equipment

Property, plant, and equipment acquired through purchase, capital leases, or construction with a unit cost of \$1,000 or more that are tangible in nature and have a useful life of one year or more, are capitalized. Major plant additions for higher education are capitalized, if the addition increases the cost of the asset by the lesser of two percent, or \$2,500. Property, plant, and equipment are capitalized at cost, or estimated historical cost, if original cost records are not available. Property, plant, and equipment acquired through capital leases are capitalized at fair market value at the inception of the lease. Donated property, plant, and equipment are valued at fair market value at the date of donation.

Governmental funds and expendable trust fund capital expenditures are recorded in the purchasing fund and the related assets are recorded in the general fixed asset account group. Depreciation is not recorded for assets in the general fixed asset account group. Public domain (infrastructure) general fixed assets such as highways, curbs, bridges, railroad tracks, right-of-ways, and lighting systems are not capitalized.

Proprietary, pension trust, and nonexpendable trust fund purchases of property, plant, and equipment are capitalized in the fund in which they are utilized and depreciated on the straight line basis over the estimated useful life of each asset.

Higher education, a component unit, records its property, plant, and equipment in the plant fund. Depreciation is not recorded for plant fund assets.

## K. Deficit Fund Balance

The following individual funds had deficit fund balances at June 30, 1998 (expressed in thousands).

<u>FUND TYPE/FUND</u>	<u>DEFICIT</u>
Special Revenue:	
Fire Shop Equipment	\$ 86
Internal Service:	
State Worker's Compensation	10,724

The Fire Shop Equipment Fund's deficit is the result of losses that have accumulated on the resale of inventory. The state has moved the activity to a correctional facility and anticipates the cost savings will recover prior years' losses.

The deficit in the State Worker's Compensation Fund represents an actuarial estimate of the unfunded portion of claims incurred prior to June 30, 1998 that will be paid in the future.

## L. Restricted Assets

The 1991 South Dakota Legislature established a budget reserve fund in the amount of \$20,000,000. Each year, the unobligated cash balance of the state general fund is to be transferred to the budget reserve fund. The maximum balance of the budget reserve fund is five percent of the prior year's state general fund appropriations. The balance in the budget reserve fund at June 30, 1998 is \$35,151,965. The budget reserve is reported under restricted assets and unreserved designated accounts in the state general fund.

The Finance Authority, a component unit enterprise fund, reported restricted cash and investments of \$8,656,230, representing \$3,000,000 to fund debt service payments in the event of deficiencies in the fund's operations, and \$5,656,230 held in an escrow account authorized to be disbursed to a preferred development project.

## M. 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.

Liabilities for compensated absences were recorded in accordance with GASB. The liabilities are reported in governmental fund types and fiduciary fund types, where a liability is due and payable at June 30 with the long-term portion reported in the General Long-Term Debt Account Group. Proprietary fund types and higher education funds accrue compensated absences in the period they are earned.

## N. 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, 1998, the amount of certificate of deposits being held by the lottery was \$617,753 and is included in cash and cash equivalents on the balance sheet. The amount of \$4,828,600 was in the form of surety bonds or irrevocable letters of credit and is not reported on the balance sheet.

## O. New Accounting Principles Adopted

The state adopted GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Sections 457 Deferred Compensation Plans. The state adopted GASB Statement 27,

Accounting for Pensions by State and Local Governmental Employers.

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

### **RESTATEMENTS**

Several restatements were made to fund balance/retained earnings account balances due to reclassifications, adjustments and the implementation of new accounting standards.

### **SPECIAL REVENUE**

Beginning fund balance was decreased by \$1,500,000 for the restatement of liabilities reported in the Revenue - Other Budgeted Fund. Beginning fund balance was increased by \$163,000 for the reclassification of the commissary fund from an enterprise fund.

### **DEBT SERVICE**

The beginning fund balance for the Vocational Education Facilities Fund was decreased by \$67,000 for the implementation of GASB Statement 31.

### **ENTERPRISE**

Beginning retained earnings was decreased by \$163,000 for the reclassification of the commissary fund to a special revenue fund. Beginning cash reported on the statement of cash flows was reduced by; \$283,000 for the reclassification of the Commissary Fund; and, \$51,000 for an adjustment to the Drinking Water Revolving Fund's beginning cash.

### **INTERNAL SERVICE**

Beginning retained earnings for the Investment Council Fund was increased by \$222,000, due to a change in accounting policy in reporting deferred revenue. Beginning retained earnings in the Public Entity Pool

for Liability Fund was increased by \$3,901,000 for the restatement of policy claim liabilities.

### **EXPENDABLE TRUST**

Beginning fund balance was increased by \$41,581,000 for the reclassification of the Deferred Compensation Fund previously reported as an agency fund in accordance with GASB Statement No. 32.

### **COMPONENT UNITS - ENTERPRISE**

The beginning retained earnings for the Cement Plant was increased \$307,000 for the implementation of GASB Statement 31. The beginning retained earnings for the State Fair was decreased by \$284,000 for a change in reporting from a December 31 year-end to June 30. Beginning cash reported on the statement of cash flows was increased by \$307,000 for the Cement Plant and \$214,000 for the State Fair as a result of the above adjustments.

### **COMPONENT UNITS - HIGHER EDUCATION**

The higher education fund balance in the Unexpended Plant Funds was increased by \$400,000 for the restatement of bonds payable and decreased \$122,000 for other various restatements to assets and liabilities reported in the prior year. Fund balance in the Investment in Plant Fund was decreased \$400,000 for the restatement of bonds payable and increased \$1,119,000 for assets not recognized in the previous year. Fund balance was decreased \$68,000 in the Unrestricted Fund, decreased \$7,000 in the Loan Fund, and decreased \$5,000 in the Renewals and Replacement Fund for the restatement of various assets and liabilities reported in the prior year.

### **AGENCY FUND**

The July 1, 1997 balances were reduced for the reclassification of the Deferred Compensation Fund to an expendable trust fund.

The following table summarizes the above restatements and reclassifications (expressed in thousands).

	PRIMARY GOVERNMENT				
	GOVERNMENTAL		PROPRIETARY		FIDUCIARY
	SPECIAL REVENUE	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE TRUST
Fund Balance/Retained Earnings, June 30, 1997 as Previously Reported	\$ 233,241	\$ 122,004	\$ 85,072	\$ 6,350	\$ 56,508
Restatements and Reclassifications	(1,337)	(67)	(163)	4,123	41,581
Fund Balance/Retained Earnings July 1, 1997 as Restated	<u>\$ 231,904</u>	<u>\$ 121,937</u>	<u>\$ 84,909</u>	<u>\$ 10,473</u>	<u>\$ 98,089</u>

	COMPONENT UNITS ENTERPRISE
Fund Balance/Retained Earnings, June 30, 1997 as Previously Reported	\$ 293,165
Restatements and Reclassifications	23
Fund Balance/Retained Earnings July 1, 1997 as Restated	<u>\$ 293,188</u>

	COMPONENT UNITS - HIGHER EDUCATION				
	UNRESTRICTED	LOAN FUND	UNEXPENDED PLANT FUND	RENEWALS & REPLACEMENTS	INVESTMENT IN PLANT
Fund Balance/Retained Earnings, June 30, 1997 as Previously Reported	\$ 27,011	\$ 29,952	\$ 1,996	\$ 7,177	\$ 353,664
Restatements	(68)	(7)	278	(5)	719
Fund Balance/Retained Earnings July 1, 1997 as Restated	<u>\$ 26,943</u>	<u>\$ 29,945</u>	<u>\$ 2,274</u>	<u>\$ 7,172</u>	<u>\$ 354,383</u>

### 3. CASH, DEPOSITS, AND INVESTMENTS

South Dakota Codified Laws (SDCL) and administrative rules authorize the types of deposits and investments. 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. Additionally, bond provisions may require restrictions on types of investments. Except as otherwise indicated, the state was in compliance with legal requirements governing deposit and investing activities.

State public funds are deposited and invested 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. The cash and cash equivalents balance in the State General Fund was reduced by \$17,657,825 for deficit cash balances that existed in various state funds at June 30, 1998. Interfund receivables and payables were established between the State General Fund and the funds with deficit cash balances in the amount of

the deficits. As a result of the reductions to cash, the State General Fund did not report a cash and cash equivalents balance.

#### DEPOSITS

##### 1. Primary Government

As of June 30, 1998, the carrying amount of deposits was (in thousands) \$106,295, and the bank balance was \$106,368. Of the bank balance, \$15,914 was fully insured or collateralized with securities held by the primary government or its agent in the primary government's name (Category 1), \$24,180 was collateralized with securities held by the pledging financial institution's trust department or its agent in the primary government's name (Category 2), and \$66,274, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

## 2. Component Units

As of June 30, 1998, the carrying amount of deposits was (in thousands) \$9,246, and the bank balance was \$9,596. Of the bank balance, \$7,634 was fully insured or collateralized with securities held by the respective component units or their agents in the component unit's name (Category 1) and \$1,962, although meeting legal collateralization requirements, was categorized as uninsured and uncollateralized (Category 3).

## INVESTMENTS

Authorized investments generally include obligations consisting of securities guaranteed either directly or indirectly by the United States of America, or the state of South Dakota; notes or bonds issued and guaranteed by political subdivisions of the state; notes, bonds, or debentures of solvent corporations, provided they are rated in the four highest classifications established by at least two rating services.

State (permanent) school and endowment funds (also known as School and Public Lands funds) are authorized to be invested, additionally, in loans made by the Veteran's Administration, Farmer's Home Administration, Federal Housing Administration, and Small Business Administration, as well as loans made

under the Federal Higher Education Act of 1965, as amended.

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

Public employee pension funds are authorized to be invested, additionally, in corporate equity securities, and other types of investments, consistent with the "prudent man concept", considering the probable safety of capital, as well as the probable income.

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

At June 30, 1998, the state's investments consisted of the following (expressed in thousands):

### Primary Government:

	CATEGORY A	CATEGORY B	CATEGORY C	FAIR VALUE
Short-Term Investment	\$ 206,382			\$ 206,382
US Government-Backed Securities	555,823	9,383		565,206
US Government-Backed Loans	48,324			48,324
Corporate Notes and Bonds	693,021	55,151		748,172
Corporate Equity Securities	1,808,181	260,514		2,068,695
Annuity Contract			110,360	110,360
State of South Dakota Bonds	495			495
International Funds	461,057			461,057
<b>TOTAL</b>	<b><u>\$3,773,283</u></b>	<b><u>\$ 325,048</u></b>	<b><u>\$ 110,360</u></b>	<b>4,208,691</b>

### Unclassified:

Mutual Funds				319,433
Guaranteed Investment Contracts				28,563
Private Equity				54,437
Real Estate				401,800
Deferred Compensation				52,799
Unemployment Compensation Funds				
Funds Pooled with US Treasury				47,427
International Funds				90,253
Investments Held by Brokers-Dealers				
Under Securities Lending Program:				
US Government Securities				82,432
Short-Term Collateral				402,574
Component Units in Primary				
Government's Investment Pool				( 87,848)
<b>TOTAL INVESTMENTS</b>				<b><u>\$5,600,561</u></b>

### Component Units:

	CATEGORY A	CATEGORY B	CATEGORY C	FAIR VALUE
Repurchase Agreements	\$ 313,601			\$ 313,601
US Government-Backed				
US Government-Backed Securities	296,295	84	11,389	307,768

US Government-Backed Loans	18,693			18,693
Corporate Notes and Bonds	2,551			2,551
Corporate Equity Securities	10,662			10,662
State of South Dakota Bonds	11,236			11,236
TOTAL	<u>\$ 653,038</u>	<u>\$ 84</u>	<u>\$ 11,389</u>	664,511
Unclassified:				
Mutual Investment Funds				71,015
Real Estate				2,426
Security Lending Short-Term Collateral				2,589
Investments in Primary Government's Investment Pool				<u>105,968</u>
TOTAL INVESTMENTS				<u>\$ 846,509</u>
TOTAL REPORTING ENTITY	<u>\$4,426,321</u>	<u>\$ 325,132</u>	<u>\$ 121,749</u>	<u>\$6,447,070</u>

Short-term investments consist primarily of commercial paper rated as required by statute. The Cement Plant, Higher Education, and State Fair are component units with investments in the primary government's investment pool. The investment in primary government's investment pool reported by component units is \$18,120,000 higher than the component unit investment in the investment pool reported under the primary government. The difference is due to the Cement Plant reporting on a December 31 year-end.

The pension fund investment portfolio includes futures contracts due September 17, 1998 that will increase the market exposure for domestic fixed income investments by \$137,588,724 and short-term investments by \$61,116,736 and decrease equity securities by \$198,705,460.

#### CASH AND INVESTMENT RECONCILIATION

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

Deposits	\$ 115,541
Investments	<u>6,447,070</u>
TOTAL	<u>6,562,611</u>
Outstanding Warrants	( 27,550)
Other Adjustments	<u>749</u>

TOTAL CASH AND INVESTMENTS \$6,535,810

#### SECURITIES LENDING TRANSACTIONS

State statutes and the South Dakota Investment Council (SDIC) policies permit the use of investments for securities lending transactions. These transactions involve the lending of securities to broker-dealers and other entities for collateral in the form of cash or securities with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for 100% cash collateral, 102% U.S. government-backed securities and short-term money markets, 105% asset-backed securities and 110% corporate securities of the loaned securities' fair value. The cash collateral is reinvested by the lending agent in accordance with contractual investment guidelines that are designed to ensure the

safety of principal and obtain a moderate rate of return. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The earnings generated from the collateral investments, less the amount of rebates paid to the dealers, results in gross earnings from lending activities, which is then split on a percentage basis with the lending agent.

Securities on loan at June 30, 1998 (December 31, 1997 for Cement Plant operations and Cement Plant retirement) are presented in the preceding schedule of custodial risk.

At year-end, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent requires them to indemnify if the borrowers fail to return the loaned securities (and the collateral is inadequate to replace the securities lent).

Either the SDIC or the borrower can terminate the securities loans on demand, although the average terms of the loans is one business day. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short-term investments.

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

#### DERIVATIVE FINANCIAL INSTRUMENTS IN PENSION TRUST FUNDS

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

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for

transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 1998 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 17, 1998	Short	(696)	(\$197,288)
U.S. Treasury Note due September 17, 1998	Long	945	\$110,296
U.S. Treasury Bond due September 17, 1998	Long	132	\$ 26,277

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into such a contract, SDRS pledges to the broker cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange. Additionally, SDRS receives or pays a daily fluctuation in value of the contract. The use of futures contracts is subject to various market risks. The maximum amount at risk from the purchase (long position) of a futures contract is the contract value. The amount at risk from the sale (short position) of a futures contract depends upon the amount that the contract rises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure. Each S&P 500 contract is defined as 500 times the price of the S&P 500 index. Each note and bond contract is defined as 100,000 par value of an 8% U.S. Treasury security adjusted for duration.

The hedging guidelines of the SDRS arbitrage portfolios managed by the SDIC provide that stock and other noncash considerations to be received may be hedged through the use of options, short sales, or when-and-if issued sales. The two arbitrage portfolios had short sales valued at \$226,224,849 as of June 30, 1998. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

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

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities in the form of GNMA's, FHLMC's, and FNMA's. The fair value of these securities as of June 30, 1998 was \$137,700,029. The SDIC is using this investment to enhance fixed returns.

As of June 30, 1998, the SDIC held warrants related to the SDRS domestic equities portfolios valued at \$3,170. A warrant is a certificate attached to a stock that gives its holder the right to purchase stock at a specific price within a specified time period.

**Cement Plant Retirement Fund:** The South Dakota Cement Plant Retirement Fund is reported as a component unit pension trust fund that reports on a calendar year basis. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the plan's portfolio mix. Futures contracts outstanding at December 31, 1997 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due March 1998	Short	6	(\$ 1,446)
U.S. Treasury Note due March 1998	Long	7	\$ 781
U.S. Treasury Bond due March 1998	Long	1	\$ 194

In addition to the derivatives listed above, the Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMA's, GHLMA's, and FNMA's. The fair value of these securities as of December 31, 1997 was \$1,305,000. The SDIC is using this investment to enhance fixed returns.

#### **4. TAXES, NOTES, AND LOANS RECEIVABLE**

**Taxes Receivable:** Taxes receivable at June 30, 1998 are shown net of the allowance for doubtful accounts of \$2,958,597. The allowance represents \$2,187,128 in taxes ultimately due to the general fund and \$771,469 due to other governmental entities.

**Loans and Notes Receivable:** Loans and notes receivable at June 30, 1998 consisted of the following (expressed in thousands):

	<u>SPECIAL REVENUE</u>	<u>ENTER- PRISE</u>	<u>NONEX- PENDABLE TRUST</u>	<u>COMPONENT UNITS</u>	<u>TOTAL</u>
Economic Development Loans	\$	\$ 24,498	\$	\$ 29,579	\$ 54,077
Housing Loans				837,700	837,700
School Loans				29,522	29,522
Water District Loans	11,116				11,116
Waste Water Construction Loans		52,202			52,202
Drinking Water Construction		2,372			2,372
Agriculture Loans	4,454			9,683	14,137
Land Sale Notes	68		668		736
Energy Loans	926				926
Railroad Authority Loans	1,847				1,847
Other Loans and Notes	417				417
	<u>18,828</u>	<u>79,072</u>	<u>668</u>	<u>906,484</u>	<u>1,005,052</u>
Less: Allowance for Doubtful Accounts	<u>319</u>	<u>952</u>		<u>179</u>	<u>1,450</u>
Loans and Notes Receivable, Net	<u>\$ 18,509</u>	<u>\$ 78,120</u>	<u>\$ 668</u>	<u>\$ 906,305</u>	<u>\$ 1,003,602</u>

## 5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at June 30, 1998 consisted of the following (expressed in thousands):

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TRUST AND AGENCY</u>	<u>GENERAL FIXED ASSETS</u>	<u>COMPONENT UNITS</u>
Land and Improvements	\$ 260	\$	\$ 8,450	\$ 38,763	\$ 19,145
Less: Accumulated Depreciation					( 5,259)
Buildings	1,287	414	36	225,677	304,434
Less: Accumulated Depreciation	( 466)	( 125)			( 20,578)
Equipment	3,042	47,994	196	169,971	227,578
Less: Accumulated Depreciation	( 2,349)	( 32,158)	( 81)		( 39,576)
Construction in Progress		1,899		49,088	6,545
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT (NET)</b>	<u>\$ 1,774</u>	<u>\$18,024</u>	<u>\$ 8,601</u>	<u>\$483,499</u>	<u>\$492,289</u>

Changes in general fixed assets for the year ended June 30, 1998 (expressed in thousands) were:

	<u>BALANCE JULY 1, 1997</u>	<u>NET ADDITIONS (DEDUCTIONS)</u>	<u>BALANCE JUNE 30, 1998</u>
Land and Improvements	\$ 37,156	\$ 1,607	\$ 38,763
Buildings	225,993	(316)	225,677
Equipment	145,251	24,720	169,971
Construction in Progress	45,798	3,290	49,088
<b>TOTAL GENERAL FIXED ASSETS</b>	<u>\$454,198</u>	<u>\$ 29,301</u>	<u>\$483,499</u>

Construction in progress at June 30, 1998 is as follows:

**General Fixed Assets:**

Department of Corrections	
Womens Prison .....	\$ 8,010,436
State Training School .....	3,693,204
Department of Human Services	
Human Services Center (Yankton) .....	30,005,729
Department of Health	
State Laboratory .....	7,186,339
Department of Transportation	
Other Construction Under \$100,000 .....	<u>192,077</u>

**TOTAL GENERAL FIXED ASSETS .....** **\$49,087,785**

**Component Units:**

Higher Education:	
Northern State University	
Beulah Williams Library Expansion .....	100,326
University of South Dakota	
Churchill Haines .....	268,761
Coyote Student Center Renovations .....	288,126
McKusick Library .....	211,908
Medical and Science Hall .....	160,527
Other Construction Under \$100,000 .....	148,742
South Dakota State University	
Animal Resource Wing .....	101,058
Larson Commons North Servery .....	111,623
Masonry Repairs Brown/Mathews, Pierson .....	479,004
Nursing/Home Economics - Asbestos Phase II .....	224,610
NFA Phase II Asbestos .....	151,661
Printing/Journalism Asbestos/AGH A&B .....	195,835
Shepard Hall Fume Hoods 104 .....	227,731
Other Construction Under \$100,000 .....	<u>538,503</u>
Total Higher Education .....	<u>3,208,415</u>

**Other Component Units:**

Cement Plant	
Plant Automation Phase II .....	616,525
Electrical Upgrade Phase II .....	680,692
North Materials Scale .....	122,628
Alkali Bypass Water Spray System .....	116,459
Rail Car Cleaning System .....	148,551
Blend Silo & Kin Feed Upgrade .....	129,351
Lab Automation & X-Ray Replacement .....	613,441
Truck Fall Arrest - Denver .....	127,480
Clinker Shed Retaining Walls .....	464,907
Other Construction Under \$100,000 .....	270,293
State Fair	
Other Construction Under \$100,000 .....	<u>45,791</u>
Total Other Component Units .....	<u>3,336,118</u>

**TOTAL COMPONENT UNITS .....** **\$ 6,544,533**

**Internal Service Funds:**

Bureau of Administration	
Telecommunications .....	241,908
Bureau of Finance & Management	
Accounting System .....	<u>1,656,719</u>
<b>TOTAL INTERNAL SERVICE FUNDS .....</b>	<u><b>\$ 1,898,627</b></u>



## 6. RETIREMENT PLANS

### South Dakota Retirement System, Plan

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

As of June 30, 1998, the number of participating governmental employers was:

School Districts	189
State of South Dakota	1
Board of Regents	1
Municipalities	123
Counties	59
Boards and Commissions	<u>52</u>
Total Employers	425

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

Investments are carried at market value (fair value) to properly reflect the asset values of the fund at June 30, 1998. Fair values were determined based on closing market prices at June 30, 1998 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. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Real estate is valued at market based upon annual appraisals. Net appreciation in the fair value of investments held at or traded during the twelve months prior to June 30, 1998 are determined using an average cost basis. Purchases and sales are recorded as of the trade date.

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

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

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

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

Class A members	- 5%
Class B Judicial members	- 9%
Class B Public Safety members	- 8%

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

Contributions during fiscal year 1998 totaling \$98,854,086 (\$47,145,364 employer and \$51,708,722 employee) were made in accordance with statutory rates. These contributions represent 11.3% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for fiscal years 1997 and 1996 were \$47,664,275 and 45,022,762, respectively.

SDRS is funded by fixed member and employer contributions at a rate established by state law. On an annual basis, an independent actuarial valuation of SDRS is made to determine the adequacy of the fixed contractually-required contributions to pay the normal costs, expenses and amortize the frozen unfunded actuarial accrued liability. The June 30, 1998 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers under GASB Statement No. 25.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain credited service over periods of up to 10 years. Interest is charged at rates of 3.5% to 8%. Future payments will be received as follows:

<u>JUNE 30</u>	<u>EMPLOYERS</u>	<u>EMPLOYEES</u>
1999	\$ 88,354	\$ 901,329
2000	74,976	464,637
2001	68,706	295,291
2002	61,644	191,162
2003	27,924	114,063
Later	<u>82,974</u>	<u>147,272</u>
	<u>404,578</u>	<u>2,113,754</u>
Less interest	69,201	299,506
Deferred contributions receivable at June 30, 1998	<u>\$335,377</u>	<u>\$1,814,248</u>

**South Dakota Cement Plant Retirement Plans:** The South Dakota Cement Plant retirement plans consist of four plans that are noncontributory, single-employer, public employee retirement plans. The plans are actuarially funded using the entry age normal cost method. The South Dakota Cement Plant's retirement system is fully funded based on the current actuarial study. The plans' funding policies provide for employer contributions to equal the unfunded actuarial accrued liability. The latest actuarial information for these plans is as of January 1, 1997. No employer contributions have been made to the plan over the last three years, based on actuarial studies.

All employees of the South Dakota Cement Plant are eligible to participate in the retirement plans at the inception of employment. Employees are vested after attaining five years of credited service. The normal retirement age is 65 and early retirement is at age 62, with required credited service. The plans provide disability benefits to qualified employees upon becoming totally and permanently disabled. Upon retirement, an employee may select the joint and survivor option benefit. Plan contributions are established by Administrative Rules of South Dakota.

Copies of a separately issued financial report on the plans may be obtained by writing to the South Dakota Cement Plant, P.O. Box 360, Rapid City, South Dakota 57709-0360, or by calling (605) 394-5200.

The plans' financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed. Benefits are recorded when payable by Administrative Rule.

Investments are carried at market value (fair value) that is based on the quoted market price of each of the plans' investments. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at December 31, 1997 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. Investments representing 5% or more of the net assets available for benefits were: the Frank Russell International Mutual Fund, which had a market value of \$2,839,606; the Merger Fund Mutual Fund, which had a market value of \$1,376,681; and, the Blackstone Real Estate Fund, which had a market value of \$1,557,312.

The plan adopted GASB Statement No. 25 and Statement No. 28 effective for the year ended December 31, 1997.

At December 31, 1997, the fair value of net assets available for benefits was \$26,576,121.

**Assets Held by Insurance Company:** The Board of Regents of the state of South Dakota joined the SDRS in July 1975. Prior to this time, the Board of Regents had a separate retirement plan through an insurance company under which their members contributed a percentage of salary to the plan, with a matching amount contributed by the Board of Regents. Upon entering the SDRS, employees were given the

option of keeping their contributions with the insurance company or moving their assets to SDRS.

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

**Presidents' Retirement Plan:** South Dakota university presidents who began service prior to November 1980 were covered under a Presidents' Perpetuity Fund Retirement Plan, in addition to the SDRS. This plan was funded completely by the Board of Regents. No additional contributions are anticipated.

An actuarial valuation was prepared as of June 30, 1996. All members of the plan are currently inactive and all are fully vested in the plan. The plan has 14 members. A current actuarial valuation is not available.

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

In March 1987, the plan was separated into two plans, based on participant status at January 1, 1987; the active life plan representing active and vested terminated participants; and, the retired life plan representing all covered retired participants. Effective April 1, 1987, the retired life plan was terminated. Annuities were purchased to cover the monthly benefit amounts for participants in the retired life plan. Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 1997. The following actuarial information covers all employees of the active life plan, plus any cost-of-living increases granted to retired life plan participants after January 1, 1987.

For the fiscal year ended June 30, 1997 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$3,513,334 and \$227,864, respectively. On June 30, 1997, participants in the plan consisted of the following:

Active Participants	121
Vested Terminated Participants	7
Retired Participants and Beneficiaries	186

Investments are carried at market value (fair value) to properly reflect asset values at July 1, 1997. Contributions are made by active life plan participants at 7% of their salaries. The Department of Labor has

not contributed to the plan since 1994 and no future employer contributions are expected to be required, based on the actuarial assumptions used.

#### DEPARTMENT OF LABOR

Fiscal Year Ended June 30	Actuarially Net Assets Available For Benefits	Entry Age Normal Assets in Accrued Liability (AAL)	Percent Funded (1)-(2)	Annual Excess of AAL (1)-(2)	Annual Covered Payroll	Assets in Excess of AAL as a Percent of Covered Payroll (4)-(5)
1995	\$38,396,853	\$35,960,087	106.8%	\$2,436,766	\$3,989,811	61.1%
1996	42,842,926	37,817,765	113.3	9,188,414	3,482,709	144.3
1997	48,934,863	39,746,449	123.1	9,188,414	3,513,334	261.5

### 7. 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 and permits participants to defer a portion of their salary until future years, thereby deferring taxation on the portion deferred. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

The assets are held in trust by the state and all rights to the assets in trust capacity are for the exclusive benefit of the participants.

The state has no liability for losses under the plan.

### 8. COMMITMENTS

**Construction and Other Commitments:** At June 30, 1998, the Department of Transportation had contractual construction commitments of \$100,698,116 for various highway projects and maintenance commitments of \$10,020,810. 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 \$25,547,111 for various water development projects. Financing for these future expenditures will be from approved federal grants, legislative appropriations, and a bond issue.

The Building Authority has construction contracts and other construction commitments of \$5,913,210.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$61,663,886. Financing for these future expenditures will be from home-ownership mortgage bonds.

The Office of the Governor had construction and other contractual commitments of \$36,668,069. Financing for these future expenditures will be from approved

federal grants, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. The following funds/programs make up the \$36,668,069 of commitments:

- 1) The REDI Fund has \$9,752,200 in commitments.
  - a) \$2,625,000 in the Rural Economic and Community Development (RECD) National Nonprofit Corporation Loan Program.
  - b) \$10,200 in the RECD Intermediary Relending Program.
  - c) \$7,117,000 of loans approved, but not disbursed as of June 30, 1998.
- 2) The Economic Development Finance Authority's RECD Intermediary Relending Program has \$30,600 in commitments.
- 3) The Community Development Block Grant (CDBG) has \$25,565,036 (includes all grants with a balance of \$100,000 or more) in commitments.
- 4) The South Dakota Future Fund Program has \$1,320,233 in commitments.

The Petroleum Release Fund has commitments of \$7,000,000.

### 9. 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 substantially all risk associated with claims of state employees for unemployment compensation benefits. "Premiums" charged to state funds and agencies 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 Unemployment Insurance Expendable Trust 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 and is being financed as claims are paid. As a result, there is an unfunded liability of \$10,724,000 at June 30, 1998. 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. Changes in the balances of claims liabilities during fiscal years 1998 and 1997 for the workers' compensation fund were as follows:

**TOTAL CLAIMS LIABILITIES**

	WORKERS' COMPENSATION	
	FY1998	FY1997
Unpaid claims and claim adjustment expenses at beginning of fiscal year:	<u>\$12,254,774</u>	<u>\$13,484,474</u>
Prior period adjustment for claims and claim adjustment expenses relating to prior fiscal years		<u>(1,230,205)</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	2,546,156	3,282,382
Changes in provision for insured events of prior fiscal years	<u>962,562</u>	<u>(119,750)</u>
Total incurred claims and claim adjustment expenses	<u>3,508,718</u>	<u>3,162,632</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	589,525	681,840
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>1,845,386</u>	<u>2,480,287</u>
Total payments	<u>2,434,911</u>	<u>3,162,127</u>
Unpaid claims and claim adjustment expenses at end of fiscal year:	<u>\$13,328,581</u>	<u>\$12,254,774</u>

**B. Health and Life Insurance**

The state (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Internal Service Fund. "Premiums" are charged to state funds and agencies 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 FY1998, \$725,000 of the retained earnings balance in the self-insurance fund was designated for future catastrophic losses relating to life insurance.

**TOTAL CLAIMS LIABILITIES**

	HEALTH INSURANCE		LIFE INSURANCE	
	FY1998	FY1997	FY1998	FY1997
Unpaid claims and claim adjustment expenses at beginning of fiscal year:	\$ 4,660,452	\$ 4,323,690	\$ 25,000	\$ 110,000
Incurred claims and claim adjustment expenses:	<u>30,944,102</u>	<u>29,456,919</u>	<u>1,373,500</u>	<u>788,000</u>
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	26,209,894	24,796,467	1,188,500	763,000
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>4,660,452</u>	<u>4,323,690</u>	<u>25,000</u>	<u>110,000</u>
Total payments	<u>30,870,346</u>	<u>29,120,157</u>	<u>1,213,500</u>	<u>873,000</u>
Unpaid claims and claim adjustment expenses at end of fiscal year:	\$ 4,734,208	\$ 4,660,452	\$ 185,000	\$ 25,000

**C. Public Entity Pool for Liability**

On March 1, 1987, the state created a Public Entity Pool for Liability (PEPL), reported in an internal service fund, 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).

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 now allows noneconomic damages against employees of the state while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Liability coverage limits were reduced to \$500,000 per occurrence. Finite reinsurance was purchased to cover claims costs between \$25,000 and \$100,000 and excess of loss reinsurance was purchased for claims costs between \$100,000 and \$500,000.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of FY1998, \$3,378,337 of the retained earnings balance in the PEPL fund was designated for future catastrophic losses.

**TOTAL CLAIMS LIABILITIES**

	<u>FY1998</u>	<u>FY1997</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year:	\$ 6,319,541	\$5,729,686
Prior period adjustment for claims and claim Adjustment expenses relating to prior fiscal years	<u>( 3,901,136)</u>	_____
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	564,264	627,609
Changes in provision for insured events of prior fiscal years	<u>3,328,663</u>	<u>1,795,664</u>
Total incurred claims and claim adjustment expenses	<u>3,892,927</u>	<u>2,423,273</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	140,411	225,227
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>452,893</u>	<u>1,608,191</u>
Total payments	<u>593,304</u>	<u>1,833,418</u>
Unpaid claims and claim adjustment expenses at end of fiscal year:	<u>\$5,718,028</u>	<u>\$6,319,541</u>

**D. Risk Management**

The state is insured for boiler insurance, aircraft, and performance bonds through outside insurance companies. Entities participating in these insurance coverages are only billed for premiums applicable to their coverage needs.

The state is uninsured for property losses, with the exception of bonded and revenue-producing buildings that are covered through outside insurance companies.

**10. CAPITAL LEASES**

The state has entered into various agreements to lease equipment. FASB Statement No. 13, "Accounting For Leases", requires a lease that transfers substantially all

of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a fixed asset and the incurrence of an obligation by the lessee (a capital lease).

Capital lease obligations for the governmental funds are reported in the General Long-Term Debt Account Group and the related assets are reported in the general fixed assets account group. Capital leases for the proprietary funds are reported in those funds, along with the related assets. Capital leases for higher education are reported as an obligation in the Investment in Plant Funds, along with the related assets.

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, 1998 (expressed in thousands):

<u>GENERAL FISCAL YEAR ENDING JUNE 30,</u>	<u>LONG-TERM DEBT</u>	<u>PROPRIETARY FUNDS</u>	<u>COMPONENT UNITS</u>
1999	\$ 125	\$ 1,616	\$ 184
2000	125	1,003	87
2001	123	808	90
2002	37	53	69
2003	119	0	41
Thereafter	<u>0</u>	<u>0</u>	<u>365</u>
Total Minimum Lease Payments	\$ 529	\$ 3,480	\$ 836
Less:			
Amount Representing Interest	<u>92</u>	<u>278</u>	<u>279</u>
<b>PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS</b>	<u>\$ 437</u>	<u>\$ 3,202</u>	<u>\$ 557</u>

## 11. OPERATING LEASES

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

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 1998 (expressed in thousands):

FISCAL YEAR ENDING JUNE 30,	PRIMARY GOVERNMENT	COMPONENT UNITS
1999	\$ 3,472	\$ 251
2000	3,258	129
2001	3,196	58
2002	2,618	41
2003	1,745	10
Thereafter	<u>6,120</u>	<u>24</u>
<b>Total Minimum Payments</b>	<b><u>\$20,409</u></b>	<b><u>\$ 513</u></b>

The total rental expenses for all operating leases for the fiscal year ended June 30, 1998 was \$6,541,045 for the primary government and \$270,422 for component units.

## 12. LONG-TERM DEBT

Long-term debt in the form of bonds, notes, certificates of participation, and other obligations are issued by the Building Authority, Housing Development Authority, Health and Educational Facilities Authority, Finance Authority, and by Higher Education.

### A. Component Units

The following are the changes in bonds, notes, and other obligations payable (expressed in thousands):

	BALANCE JULY 1, 1997 <u>Restated</u>	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 1998
<b>Enterprise Funds:</b>				
Revenue Bonds Payable from User Charges:				
Housing Development Authority	\$1,080,019	\$ 482,174	\$ 257,030	\$1,305,163
Building Authority	9,336	8,000	4,459	12,877
Finance Authority	<u>23,215</u>	<u>6,000</u>	<u>996</u>	<u>28,219</u>
<b>Total Revenue Bonds</b>	<b><u>1,112,570</u></b>	<b><u>496,174</u></b>	<b><u>262,485</u></b>	<b><u>1,346,259</u></b>
Accrued Employee Benefits	1,188		78	1,110
Capital Leases	<u>118</u>	<u>29</u>		<u>147</u>
<b>Total Enterprise Funds</b>	<b><u>1,113,876</u></b>	<b><u>496,203</u></b>	<b><u>262,563</u></b>	<b><u>1,347,516</u></b>
<b>Higher Education:</b>				
Revenue Bonds Payable from User Charges:				
Higher Education Facilities Fund	31,719		970	30,749
Building Authority	<u>30,008</u>		<u>1,207</u>	<u>28,801</u>
<b>Total Bonds Payable</b>	<b><u>61,727</u></b>		<b><u>2,177</u></b>	<b><u>59,550</u></b>
Certificates of Participation:				
Building Authority	332		80	252
Revenue Trust Certificates:				
Building Authority	11,915		797	11,118
Accrued Employee Benefits	21,006	602		21,608
Capital Leases	<u>500</u>		<u>90</u>	<u>410</u>
<b>Total Higher Education</b>	<b><u>95,480</u></b>	<b><u>602</u></b>	<b><u>3,144</u></b>	<b><u>92,938</u></b>
<b>Total Component Units</b>	<b><u>\$1,209,356</u></b>	<b><u>\$ 496,805</u></b>	<b><u>\$ 265,707</u></b>	<b><u>\$1,440,454</u></b>

## 1. Housing Development Authority

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

Dakota, or a pledge of the faith and credit of the state. These notes and bonds are payable solely from the revenues or assets of the authority.

### Bonds Payable

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 1998 (expressed in thousands):

HOUSING DEVELOPMENT AUTHORITY			
	<u>MATURITY DATES</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Home-Ownership Mortgage Program:	1999 - 2028	3.750%-10.418%	
Serial Bonds			\$ 497,135
Term Bonds			730,890
Less Unamortized Discounts			( 107)
Total Home-Ownership Mortgage Program			<u>1,227,918</u>
Multifamily Housing Trust Bonds:	1999 - 2022	5.90%-8.375%	
Serial Bonds			4,745
Term Bonds			<u>54,850</u>
Total Multifamily Housing Trust Bonds			<u>59,595</u>
Multifamily Housing Revenue Bonds:	1999 - 2026	6.50%-7.500%	
Serial Bonds			615
Term Bonds			<u>6,025</u>
Total Multifamily Housing Revenue Bonds			<u>6,640</u>
Multifamily Mortgage Pass-Through Fund Bonds	2010 - 2012	Variable	<u>11,010</u>
<b>Total Bonds Payable</b>			<b><u>\$1,305,163</u></b>

## 2. Building Authority

At June 30, 1998, commitments to purchase home-ownership mortgage loans from lending institutions were approximately \$61,663,886.

As of June 30, 1998, debt service requirements for principal and interest for the Housing Development Authority were as follows (expressed in thousands):

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 76,546	\$ 72,910	\$ 149,456
2000	94,251	70,425	164,676
2001	164,587	63,747	228,334
2002	33,075	59,445	92,520
2003	31,434	57,540	88,974
Thereafter	<u>905,270</u>	<u>691,303</u>	<u>1,596,573</u>
<b>Total</b>	<b><u>\$ 1,305,163</u></b>	<b><u>\$1,015,370</u></b>	<b><u>\$2,320,533</u></b>

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

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



The following is a schedule of bonds outstanding as of June 30, 1998 (expressed on thousands):

**BUILDING AUTHORITY**

<u>SERIES NUMBER</u>	<u>MATURITY DATE</u>	<u>INTEREST RATES</u>	<u>OBLIGATION</u>
First Series	1998 - 1999	9.625% - 9.80%	\$ 480
Second Series	1998 - 1999	8.440% - 9.41%	1,930
Third Series	1998 - 2000	8.080% - 8.94%	2,467
Series 1998A	2009	5.800% - 6.50%	8,000
<b>Total</b>			<b><u>\$ 12,877</u></b>

As of June 30, 1998, debt service requirements for principal and interest for the Building Authority (CREP Program) were as follows (expressed in thousands):

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 3,312	\$ 812	\$ 4,124
2000	2,192	546	2,738
2001	781	437	1,218
2002	831	388	1,219
2003	891	335	1,226
Thereafter	<u>4,870</u>	<u>867</u>	<u>5,737</u>
<b>Total</b>	<b><u>\$ 12,877</u></b>	<b><u>\$ 3,385</u></b>	<b><u>\$ 16,262</u></b>

**3. South Dakota Economic Development Finance Authority**

Tax-exempt bonds are issued in the name of the South Dakota Economic Development Finance Authority and administered by a trustee bank. The bond proceeds are used to provide capital in the form of economic development loans to private businesses. A separate series of bonds is issued to finance each loan. The total outstanding amount of bonds issued cannot exceed \$300,000,000. Bonds of the authority do not constitute a debt or liability of the state of South Dakota or any political subdivision thereof, and neither the faith nor credit, or the taxing power of the state or any political subdivision thereof is pledged for payments relating to these bonds. The authority has no obligation relating to these bonds except from the revenues and assets specifically pledged as security for these bonds. The authority has no taxing power.

The following is a schedule of outstanding bonds as of June 30, 1998 (expressed in thousands):

**SOUTH DAKOTA ECONOMIC DEVELOPMENT FINANCE AUTHORITY**

<u>SERIES NUMBER</u>	<u>MATURITY DATE</u>	<u>INTEREST RATES</u>	<u>OBLIGATION</u>
Series 1987A	2001 and 2007	6.00%-9.00%	\$ 225
Series 1989	2019	10.25%	4,930
Series 1992	2000	7.625%	150
Series 1994 A&B	2004 and 2014	6.00%-7.20%	1,410
Series 1996	2016	Variable	8,410
Series 1996 A&B (TCF Lomar)	2008 and 2016	Variable	2,400
Series 1996A (APA Optics)	2009 and 2016	5.00%-6.75%	1,840
Series 1996B (Tech. Ord.)	2007	5.75%	1,500
Series 1996C	2002 and 2006	4.50%-5.85%	785
Series 1996D	2006 and 2007	4.50%-5.90%	855
Series 1997A	2016	Variable	2,750
Series 1997B	2007	6.35%	2,964
<b>Total</b>			<b><u>\$ 28,219</u></b>

**Reserves:** The bond indentures provide that certain reserve accounts be established. The balances as of June 30, 1998 are as follows (expressed in thousands):

	<u>REQUIRED BALANCE</u>	<u>ACTUAL BALANCE</u>	<u>EXCESS</u>
Capital Reserve Account	\$ 2,500	\$ 2,532	\$ 32
Special Reserve Account	500	554	54
<b>Total</b>	<b><u>\$ 3,000</u></b>	<b><u>\$ 3,086</u></b>	<b><u>\$ 86</u></b>

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes.

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

As of June 30, 1998, debt service requirements for principal and interest for the South Dakota Economic Development Finance Authority were as follows (expressed in thousands):

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 1,216	\$ 1,630	\$ 2,846
2000	1,356	1,555	2,911
2001	1,396	1,477	2,873
2002	1,476	1,395	2,871
2003	1,417	1,315	2,732
Thereafter	<u>21,358</u>	<u>11,494</u>	<u>32,852</u>
<b>Total</b>	<b><u>\$ 28,219</u></b>	<b><u>\$ 18,866</u></b>	<b><u>\$ 47,085</u></b>

The 1994B, 1996 and 1996A&B (TCF Lomar) bond issues carry variable interest rates and interest on these bonds has been projected using the June 1998 interest rates.

#### **4. Higher Education**

##### **a. Higher Education Facilities**

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from income and revenues pledged and assigned and do not constitute a legal or moral debt of the state of South Dakota.

Following are revenue bonds outstanding at June 30, 1998 (expressed in thousands):

**HIGHER EDUCATION FACILITIES**

<u>ISSUE</u>	
School of Mines and Technology:	
1973 Series C	\$ 412
1973 Series D	225
University of South Dakota:	
1974 Revenue Refunding	1,175
South Dakota State University:	
1967 Series	140
1971 Series	480
1972 Revenue Refunding	2,043
1994A Series	13,455
Northern State University:	
1984 Series G	470
Dakota State University:	
1984 Revenue Refunding	1,142
1995 Series	2,630
Black Hills State University:	
1961 Series B	114
1965 Series C	148
1968 Series D	110
1993 Series	4,355
1995 Series	3,850
<b>Total</b>	<u><b>\$30,749</b></u>

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 1,063	\$ 1,512	\$ 2,575
2000	1,039	1,467	2,506
2001	1,087	1,421	2,508
2002	947	1,373	2,320
2003	834	1,336	2,170
Thereafter	<u>25,779</u>	<u>15,946</u>	<u>41,725</u>
<b>Total</b>	<u><b>\$ 30,749</b></u>	<u><b>\$ 23,055</b></u>	<u><b>\$ 53,804</b></u>

**b. Building Authority**

The Building Authority issues bonds 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. The bonds and all related financial transactions used to finance buildings and related projects of higher education are reported in the component units column.

Beginning revenue bonds payable were reduced by \$157,000 for a restatement between the bonds payable reported by higher education and the bonds payable reported in the primary government.

As of June 30, 1998, debt service requirements for principal and interest for the Higher Education Facilities were as follows (expressed in thousands):

Following is a schedule of bonds and notes outstanding at June 30, 1998 (expressed in thousands):

**BUILDING AUTHORITY**

<u>ISSUE</u>	<u>MATURITY</u> <u>DATES</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Bonds:			
Series 1992	1998 - 2017	6.300% - 8.300%	\$ 220
Series 1993A	1998 - 2012	4.600% - 6.500%	5,855
Series 1993B	1998 - 2013	4.875% - 5.450%	4,831
Series 1995A	1998 - 2015	4.850% - 6.250%	11,010
Series 1996C	1998 - 2014	4.100% - 5.300%	4,472
Series 1997	1998 - 2021	5.500%	2,413
Certificates of Participation:			
Series 1990	1998 - 2002	3.000%	252
Trust Certificates:			
Series 1991	1998 - 2016	4.700% - 6.750%	2,260
Series 1993	1996 - 2018	6.300% - 8.300%	8,858
<b>Total</b>			<u><b>\$40,171</b></u>

As of June 30, 1998, debt service requirements for principal and interest for the Building Authority (higher education portion) were as follows (expressed in thousands):

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 2,188	\$ 2,320	\$ 4,508
2000	2,328	2,180	4,508
2001	2,401	2,035	4,436
2002	2,700	1,874	4,574
2003	2,905	1,696	4,601
Thereafter	<u>27,649</u>	<u>8,327</u>	<u>35,976</u>
<b>Total</b>	<b><u>\$ 40,171</u></b>	<b><u>\$ 18,432</u></b>	<b><u>\$ 58,603</u></b>

## B. General Long-Term Debt

The following are the changes in bonds, certificates of participation, and other obligations payable (expressed in thousands):

	<u>BALANCE JULY 1, 1997 Restated</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE JUNE 30, 1998</u>
Bonds Payable from Taxes and License Fees:				
Building Authority Bonds	\$ 142,802		\$ 9,249	\$133,553
Health and Educational Facilities Authority	22,220	\$ 15,070	12,650	24,640
Certificates of Participation:				
Building Authority	318		75	243
Trust Certificates:				
Building Authority	52,415		1,868	50,547
Accrued Employee Benefits	32,883	1,813		34,696
Capital Leases	<u>638</u>		<u>201</u>	<u>437</u>
<b>Total General Long-Term Debt</b>	<b><u>\$251,276</u></b>	<b><u>\$ 16,883</u></b>	<b><u>\$ 24,043</u></b>	<b><u>\$244,116</u></b>

### 1. Building Authority

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

The Building Authority sold trust certificates to a trustee bank and assigned the right to receive lease rental payments over to the trustee bank. The lease payments were previously assigned to the payment of bonds and certificates of participation issued by the authority. The revenue from the trust certificates will be utilized to defease several bond issues and certificates of participation. The principal and interest payments on the certificates are payable solely from amounts payable by the state under the leases. The

certificates are not an indebtedness of the authority within the meaning of any constitution or statutory debt limit, nor may the certificates be a claim against the property of the authority.

The indebtedness, bonds, or obligations incurred or created by the Building Authority may not be or become a lien, charge, or liability against the state of South Dakota. The bonds and all related financial transactions used to finance buildings of state departments and institutions, other than state universities, are reported in the capital projects and debt service funds and the General Long-Term Debt Account Group. This financial presentation does not change the legal liability of the bonds.

Following are Building Authority bonds, certificates of participation, and trust certificates outstanding at June 30, 1998 (expressed in thousands):

**BUILDING AUTHORITY**

<u>ISSUE</u>	<u>MATURITY DATES</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
<b>Bonds:</b>			
Series 1991A	1998 - 2001	7.650% - 9.150%	\$ 610
Series 1992	1998 - 2017	6.300% - 8.300%	1,435
Series 1993B	1998 - 2013	4.875% - 5.450%	179
Series 1996A	1998 - 2016	4.400% - 5.950%	112,471
Series 1996B	1998 - 1998	5.800% - 6.250%	7,330
Series 1996C	1998 - 2014	4.100% - 5.300%	9,138
Series 1996D	1998 - 2011	5.200% - 6.000%	2,390
<b>Certificates of Participation:</b>			
1990 Series	1998 - 2000	3.000%	243
<b>Trust Certificates:</b>			
Series 1991	1998 - 2016	4.700% - 6.750%	18,535
Series 1993	1998 - 2017	6.300% - 8.300%	32,012
<b>Total</b>			<b><u>\$184,343</u></b>

As of June 30, 1998, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	11,397	9,620	21,017
2000	11,562	8,959	20,521
2001	11,609	8,347	19,956
2002	11,415	7,757	19,172
2003	11,275	7,168	18,443
Thereafter	<u>127,085</u>	<u>53,481</u>	<u>180,566</u>
<b>Total</b>	<b><u>\$ 184,343</u></b>	<b><u>\$ 95,332</u></b>	<b><u>\$279,675</u></b>

**HEALTH AND EDUCATIONAL FACILITIES AUTHORITY**

<u>ISSUE</u>	<u>MATURITY DATES</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Series 1992	1998-2022	5.20% - 5.75%	\$ 830
Series 1993A	1998-2013	4.50% - 5.60%	6,095
Series 1993B	1998-2023	4.50% - 5.70%	2,645
Series 1997	1998-2022	4.00% - 5.50%	10,365
Series 1998A	1998-2013	4.50% - 5.40%	4,705
<b>Total</b>			<b><u>\$ 24,640</u></b>

As of June 30, 1998, debt service requirements for principal and interest for the Health and Educational Facilities Authority were as follows (expressed in thousands):

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 845	\$ 1,307	\$ 2,152
2000	810	1,239	2,049
2001	850	1,200	2,050
2002	890	1,159	2,049
2003	925	1,115	2,040
Thereafter	<u>20,320</u>	<u>10,439</u>	<u>30,759</u>
<b>Total</b>	<b><u>\$ 24,640</u></b>	<b><u>\$ 16,459</u></b>	<b><u>\$ 41,099</u></b>

**2. Health and Educational Facilities Authority**

The Health and Educational Facilities Authority issued bonds to finance the cost of acquisition and improvement of postsecondary educational facilities. Bonds are payable from student fees, program fees, state general fund appropriations, and federal funds. The bonds are limited obligations of the authority, payable solely from dedicated revenue sources. The authority has no taxing power. The bonds do not constitute general obligations, debt, or bonded indebtedness, or a pledge of the faith and credit of the state of South Dakota.

Following are Health and Educational Facilities Authority bonds outstanding at June 30, 1998 (expressed in thousands):

### C. Proprietary Funds

The following are the changes in bonds and other obligations payable (expressed in thousands):

	BALANCE JULY 1, 1997	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 1998
<b>Enterprise Funds:</b>				
Bonds and Notes Payable:				
State Revolving Fund	\$ 20,350	\$ 6,450	\$ 675	\$ 26,125
Accrued Employee Benefits	332		2	330
Capital Leases	182		51	131
<b>Total Enterprise Funds</b>	<u>20,864</u>	<u>6,450</u>	<u>728</u>	<u>26,586</u>
<b>Internal Service Funds:</b>				
Bonds and Notes Payable	421		67	354
Accrued Employee Benefits	3,338	244		3,582
Capital Leases	1,491	1,580		3,071
<b>Total Internal Service Funds</b>	<u>5,250</u>	<u>1,824</u>	<u>67</u>	<u>7,007</u>
<b>Total Proprietary Funds</b>	<u>\$ 26,114</u>	<u>\$ 8,274</u>	<u>\$ 795</u>	<u>\$ 33,593</u>

### Department of Environment and Natural Resources

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

Interest paid on the loan principal and interest earned from the bond proceeds will be used to make debt service payments on the bond. The South Dakota Conservancy District bonds do not constitute a debt or liability of the state of South Dakota, or a pledge of the faith and credit of the state. The bonds are paid solely from the interest earned on the loan repayments and bond proceeds and, if necessary, a legislative appropriation of \$1,200,000 for the Water Pollution Control only.

The following is a schedule of outstanding bonds as of June 30, 1998 (expressed in thousands):

#### DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

ISSUE	MATURITY DATES	INTEREST RATES	AMOUNT
Series 1994	1998 - 2012	3.80% - 5.30%	\$ 9,185
Series 1995	1998 - 2015	5.00% - 6.25%	7,720
Series 1996	1999 - 2017	4.40% - 5.63%	2,770
Series 1998	2000 - 2019	3.90% - 5.00%	6,450
<b>Total</b>			<u>\$ 26,125</u>

As of June 30, 1998, debt service requirements for principal and interest for the Department of Environment and Natural Resources were as follows (expressed in thousands):

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
1999	\$ 700	\$ 1,236	\$ 1,936
2000	820	1,303	2,123
2001	1,065	1,260	2,325
2002	1,115	1,210	2,325
2003	1,170	283	1,453
Thereafter	21,255	6,188	27,443
<b>Total</b>	<u>\$ 26,125</u>	<u>\$ 11,480</u>	<u>\$ 37,605</u>

The city of Pierre installed an electrical upgrade to the capitol complex. The state entered into a long-term contract with the City of Pierre to pay for the costs of the upgrade.

As of June 30, 1998, debt service requirements for principal and interest for the Internal Service Fund were as follows (expressed in thousands):

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1999	\$ 71	\$ 19	\$ 90
2000	75	15	90
2001	79	10	89
2002	84	6	90
2003	45	1	46
<b>Total</b>	<b>\$ 354</b>	<b>\$ 51</b>	<b>\$ 405</b>

## D. Conduit Debt Obligations

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

### 1. South Dakota Railroad Authority

State law established the South Dakota Railroad Authority in 1980 for the purpose of improving rail service in the state. The authority is authorized to acquire property and construct, maintain, and equip railroad facilities pursuant to legislative declarations. The authority is also authorized to issue revenue bonds and participating interests in mortgage notes in amounts authorized by the state legislature. In 1996, the authority purchased rail facilities through the sale of \$20,000,000 of revenue bonds. Dakota, Minnesota and Eastern Railroad received \$14,500,000 of the bond proceeds. Additionally, a \$10,000,000 loan agreement was entered into between Dakota, Minnesota and Eastern Railroad Corporation and First National Bank of Brookings. The proceeds for the loan consisted of \$5,500,000 from the bond proceeds, \$4,000,000 from an institutional investor, and \$500,000 from the First National Bank. The bonds will be paid off with proceeds from a lease agreement with Dakota, Minnesota and Eastern Railroad Corporation with principal payments of \$14,500,000 and bank loan payments of \$5,500,000. Dakota, Minnesota and Eastern Railroad Corporation will be responsible for paying the two institutional investors \$4,500,000 on the loan. As of June 30, 1998, \$17,860,000 in revenue bonds and \$6,251,000 in a bank loan were outstanding.

### 2. South Dakota Value Added Finance Authority

State law established the South Dakota Value Added Finance Authority in 1986 for the purpose of assisting beginning farmers in the state of South Dakota to acquire agricultural property at lower interest rates. The authority is authorized to issue federal tax-exempt bonds. The bond proceeds are lent to qualifying

beginning farmers. The beginning farmer 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, 1998, there were one hundred and six series of revenue bonds outstanding. The aggregate principal amount payable on June 30, 1998 could not be determined; however, their original issue amount totaled \$10,120,210.

## E. Refunded Bonds

### 1. Health and Educational Facilities Authority

In December 1997, HEFA issued Series 1997 revenue refunding bonds in the amount of \$10,365,000 with interest rates from 4% to 5.5%. In May 1998, HEFA issued Series 1998A revenue refunding bonds in the amount of \$4,705,000 with interest rates from 4.5% to 5.4%. These proceeds from these bonds were used to refund the following outstanding revenue bonds:

<u>ISSUE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Series 1992	6.5% to 6.7%	\$7,545,000
Series 1988	8.125%	\$4,490,000

The proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the issues being refunded. Refunded bonds and the related assets held in the trust are not included in the accompanying financial statements since the Health and Educational Facilities Authority has satisfied its obligations.

As a result of the advance refunding, the HEFA reduced its total debt service requirements by \$1,495,949 that resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,089,724.

In prior years, the HEFA defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the accompanying financial statements. At June 30, 1998, \$5,625,000 of the Health and Educational Facilities Authority bonds outstanding are considered defeased.

### 2. Building Authority

In prior years, the Building Authority defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 1998, \$87,245,000 of the Building Authority bonds outstanding are considered defeased.

### **3. Higher Education**

In prior years, Black Hills State University and South Dakota State University defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 1998, \$14,140,000 of university bonds outstanding are considered defeased.

### **4. South Dakota Conservancy District**

In prior years, the South Dakota Conservancy District defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 1998, \$8,210,000 of the South Dakota Conservancy District bonds outstanding are considered defeased. As a result of these advanced refundings, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the life of the new bonds. At June 30, 1998, bonds payable is reported net of unamortized charges of \$1,120,573.79.



### 13. INTERFUND TRANSACTIONS

#### A. Interfund Receivables and Payables

The following represents interfund receivable and payable balances between all funds at June 30, 1998. Amounts to be paid or received within one year are reported as due to or from other funds, due to or from component units, and due to or from primary government (expressed in thousands).

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	<u>\$ 84,506</u>	<u>\$ 16,780</u>
Special Revenue Funds:		
Transportation Highway Fund	\$ 30,529	\$ 1,774
Transportation Federal Fund	365	8,387
Social Services Federal Fund	236	4,060
Education Federal Fund	5	839
Human Services Federal Fund	2,101	3,436
Labor Federal Fund	174	258
Health Federal Fund	161	177
Military Affairs Federal Fund		1,592
Natural Resources Federal Fund		793
Game, Fish, and Parks Federal Fund	393	818
Game and Fish Fund	934	915
Parks and Recreation Fund	1,287	239
Continuing Education Fund	262	51
Motor Vehicle Fund	1,255	2,802
Revenue Fund	390	211
Employer's Investment in SD Fund	1,101	
Property Tax Reduction Fund	13,082	
Petroleum Release Compensation Fund	1,847	9
Maintenance and Repair Fund	874	93
Water and Environment Fund	1,501	
Rural Rehabilitation Fund	473	8
Energy Conservation Fund	527	1
Attorney General Federal Fund	15	314
Game, Fish and Parks Federal Fund		350
Tourism Revolving Fund	250	33
Corrections L&E	111	26
Aeronautics Fund	408	23
Public Transit Fund	267	89
Agriculture Revolving Fund	286	5
Environment and Natural Resources Fund	304	31
Energy Impact Fund	264	
Snowmobile Trails Fund	328	1
Custer State Park Fund	271	98
Other	<u>2,911</u>	<u>1,732</u>
<b>Total Special Revenue Funds</b>	<b><u>\$ 62,912</u></b>	<b><u>\$ 29,165</u></b>
Debt Service Funds:		
Building Authority Fund	\$ 4,211	\$
Vocational Education Facilities Fund	98	
<b>Total Debt Service Funds</b>	<b><u>\$ 4,309</u></b>	<b><u>\$ 0</u></b>
Capital Projects Funds:		
Building Authority Fund	\$ 147	\$ 161
<b>Total Capital Projects Funds</b>	<b><u>\$ 147</u></b>	<b><u>\$ 161</u></b>
Enterprise Funds:		
Lottery Fund	\$ 594	\$ 3,597
Economic Development Loan Fund	5,450	
Pheasantland Industries Fund	373	23
Other	64	16
<b>Total Enterprise Funds</b>	<b><u>\$ 6,481</u></b>	<b><u>\$ 3,636</u></b>

<b>Internal Service Funds:</b>		
Self-Insurance Fund	\$ 1,023	\$ 27
Central Data Processing Fund	1,426	303
Telecommunications Fund	1,314	169
Accounting and Payroll Fund	641	139
Buildings and Grounds Fund	807	22
Central Mail Services Fund	330	9
Public Entity Pool For Liability Fund	783	4
Fleet and Travel Management Fund	1,738	308
Personnel and Labor Management Fund	345	47
State Workers Compensation Fund	166	2
Commerce Inspection Fund	119	11
Central Supply Fund	114	8
Central Duplicating Fund	206	31
State Engineer Fund	110	34
Health Lab Fund	196	58
State Collections Services Fund	13	156
Other	383	115
<b>Total Internal Service Funds</b>	<b>\$ 9,714</b>	<b>\$ 1,443</b>
<b>Component Units:</b>		
Housing Authority Special Revenue Fund	\$ 31	\$ 31
Housing Authority Enterprise Fund		65
Finance Authority		2,804
Cement Plant Fund	230	2
State Fair Fund	1	
Cement Plant Retirement Fund	2	230
Higher Education	5,898	3,443
<b>Total Component Units</b>	<b>\$ 6,162</b>	<b>\$ 6,575</b>
<b>Agency and Trust Funds:</b>		
<b>Agency Funds:</b>		
Department of Revenue	\$ 2,630	\$ 85,074
Investment Council	421	39,323
Other	2,902	2,844
<b>Total Agency Funds</b>	<b>\$ 5,953</b>	<b>\$127,241</b>
<b>Expendable Trust Funds:</b>		
Unemployment Insurance Fund	\$ 43	\$ 18
Vocational Education Facilities Fund	119	98
Second Injury Fund	87	
Redfield Resident Investment Fund	36	
Antitrust Litigation Fund	32	
Community-Based Education Fund	68	
Other	96	20
<b>Total Expendable Trust Funds</b>	<b>\$ 481</b>	<b>\$ 136</b>
<b>Nonexpendable Trust Funds:</b>		
Youth at Risk	\$ 623	\$
School and Public Lands Permanent Fund		232
<b>Total Nonexpendable Trust Funds</b>	<b>\$ 623</b>	<b>\$ 232</b>
<b>Pension Trust Funds:</b>		
South Dakota Retirement Fund	\$ 988	\$ 42
<b>Total Trust and Agency Funds</b>	<b>\$ 8,045</b>	<b>\$127,651</b>
<b>TOTAL INTERFUND RECEIVABLES AND PAYABLES</b>	<b>\$182,276</b>	<b>\$185,411</b>

The variance of \$3,135,000 between interagency receivables and payables is a result of the Cement Plant being reported as of December 31, 1997, instead of June 30, 1998.

Advances to/from other funds represent long-term loans existing between funds. The funds and amounts advanced at June 30, 1998 were as follows (expressed in thousands):

	<u>ADVANCES TO OTHER FUNDS</u>	<u>ADVANCES FROM OTHER FUNDS</u>
<b>General Fund</b>	<u>\$ 53</u>	<u>\$2,884</u>
<b>Special Revenue Funds:</b>		
Transportation Highway Fund		813
Transportation Federal Fund	813	
Maintenance and Repair Fund	400	
Aeronautics Fund	<u>867</u>	
<b>Total Special Revenue Funds</b>	<u>2,080</u>	<u>813</u>
<b>Internal Service Funds:</b>		
Information Services Fund	496	
Rural Development Communications Network Fund		496
Fleet and Travel Management Fund		<u>400</u>
<b>Total Internal Service Funds</b>	<u>496</u>	<u>896</u>
<b>Expendable Trust Funds:</b>		
Unclaimed Property Fund	1,432	
Redfield Resident Investment Fund		<u>53</u>
<b>Total Expendable Trust Funds</b>	<u>1,432</u>	<u>53</u>
<b>Nonexpendable Trust Funds:</b>		
Youth at Risk Fund	<u>585</u>	
<b>TOTAL ADVANCE TO/FROM OTHER FUNDS</b>	<u>\$4,646</u>	<u>\$4,646</u>

#### **14. RESIDUAL EQUITY TRANSFERS AND CHANGES IN CONTRIBUTED CAPITAL**

##### **Residual Equity Transfers:**

Various residual equity transfers occurred between internal service funds due to consolidations and reorganizations. The transactions are reported as residual equity transfers out and increases to contributed capital in the internal service funds. During FY1998, several residual equity transfers were made between special revenue funds as a result of consolidation and closing of funds at the Department of Health, Department of Human Services, and Department of Corrections.

## Changes in Contributed Capital

The following represents the changes in contributed capital (expressed in thousands):

CHANGES IN CONTRIBUTED CAPITAL				
	BEGINNING BALANCE <u>7/1/97</u>	ASSETS CONTRIBUTED BY PRIMARY GOVERNMENT	DEPRECIATION ON ASSETS ACQUIRED WITH CONTRIBUTED CAPITAL	ENDING BALANCE <u>6/30/98</u>
Component Unit - Enterprise Funds:				
State Fair	\$ 2,836	\$ 37	\$	\$2,873
Enterprise Funds:				
Drinking Water Revolving	0	1,424		1,424
Pheasantland Industries	381		27	354
Internal Service Funds:				
Information Services	2,864	6		2,870
Telecommunications	426	952		1,378
Buildings and Grounds	450	4		454
Fleet and Travel Management	5,115	(121)		4,994
Personnel	71	36		107
Inspection	28	126		154
Records Management	107	12		119
Property Management	42	1		43
BOA Support Services	8	1		9

## 15. FUND EQUITY - RESERVATIONS AND DESIGNATIONS

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following is a summary of the reservations and designations at June 30, 1998 (expressed in thousands).

<b>General Fund</b>		<b>Nonexpendable Trust</b>	
Reserved for Encumbrances	\$ 8,697	Reserved for Public Schools	\$ 135,138
Reserved for Noncurrent Assets	<u>53</u>	Reserved for Specific Purposes	<u>20,146</u>
Total Reservations	8,750	Total Reservations	155,284
Designated for Budget Reserve	35,152	<b>Pension Trust</b>	
		Reserved for Pension Benefits	4,171,854
<b>Special Revenue</b>		<b>Component Unit - Special Revenue</b>	
Reserved for Encumbrances	65,281	Reserved for Specific Purposes	14,273
Reserved for Noncurrent Assets	16,086		
Reserved for Loan Guarantee	<u>511</u>	<b>Component Unit - Enterprise</b>	
Total Reservations	81,878	Reserved for Debt Service	204,087
<b>Debt Service</b>		Reserved for Contingencies	15,185
Reserve for Debt Service	116,263	Reserved for Loan Escrow	<u>5,742</u>
		Total Reservations	225,014
<b>Expendable Trust</b>		<b>Component Unit - Pension Trust</b>	
Reserved for Unemployment		Reserved for Pension Benefits	28,889
Benefit Payments	48,033		
Reserved for Deferred		<b>Component Unit - Higher Education</b>	
Compensation	52,906	Reserved for Encumbrances	4,362
Reserved for Specific Purposes	<u>6,493</u>	Reserved for Noncurrent Assets	<u>25,809</u>
Total Reservations	107,432	Total Reservations	30,171

## 16. CONTINGENCIES AND LITIGATION

The state of South Dakota participates in a number of federally assisted grant programs. These programs are subject to audits by the grantors or their representatives. Any disallowance as a result of these audits may become a liability of the state.

**Department of Game, Fish, and Parks:** An audit was performed on the United States Fish and Wildlife Service Federal Aid Grants administered by the South Dakota Department of Game, Fish, and Parks. The audit period was the fiscal years ended June 30, 1996 and 1997. The audit report is in draft form and has not been officially released by the United States' Department of Interior. The draft report identified a potential liability whereby the Department of Game, Fish, and Parks may have diverted license fees. As of June 30, 1998, the low end of the estimated range of potential diversion was approximately \$3.8 million. The potential diversion continues into fiscal year 1999, with The contingent liabilities at June 30, 1998 are as follows:

the low end of the range being estimated at \$4.6 million at year end. If it is ultimately determined that the Department of Game, Fish, and Parks did divert funds, the state would be required to reimburse the Game and Fish Fund in the Department of Game, Fish, and Parks for the amount of the diversion. The reimbursement would have to be from state revenue sources other than hunting and fishing license revenues. The Department of Game, Fish, and Parks is in the process of negotiating with federal resolution officials and the final amount of liability, if any, cannot be readily determined.

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

### WORKERS' COMPENSATION FUND

	NUMBER OF CLAIMANTS	WEEKLY BENEFITS	PAYMENTS REMAINING
Permanent Partial Disability - Benefits are paid weekly up to a predetermined amount	8	\$ 1,964	\$ 43,971
Temporary Total and Temporary Partial Disability - Benefits are paid weekly for an unspecified period of time	23	4,978	Unknown
Permanent Total Disability - Benefits are paid weekly for the life of the client	27	2,942	Unknown
Vocational Rehabilitation Disability - Benefits are paid weekly up to completion of approved retraining	3	581	Unknown
Spouse (Fatality) Disability - Benefits are paid for life or upon remarriage spouse would receive a lump sum equal to two years of weekly benefits	11	2,111	Unknown
Child Disability - Benefits paid at rate of \$50.00 per month until 18 years of age	7	350	19,131
<b>TOTAL</b>	<u>79</u>	<u>\$ 12,926</u>	

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. As of June 30, 1998, PRCF was currently involved with 430 active cases, 317 active/monitoring cases, and 98 pending cases (spill report not yet filed), for a total of 845 cases. Contingent liabilities for the PRCF are \$18,500,000 for sites that haven't received any payments.

**Citibank (South Dakota) N.A. v. State of South Dakota.** This suit, filed in circuit court, Minnehaha County, is a declaratory judgement action brought against the state of South Dakota regarding the status of unmatched credit card customer payments submitted to the state under its unclaimed property

laws. In this lawsuit, Citibank argued that "unmatched payments" did not fit the definition of unclaimed property and Citibank was the owner of these unmatched payments. The circuit court judge held that unmatched credit card customer payments were not unclaimed property, but rather property owned by Citibank. An appeal of the circuit court judge's decision to the South Dakota Supreme Court has been filed. Oral arguments are scheduled to begin in May 1999. If Citibank is ultimately successful, the state may be required to pay Citibank approximately \$4,000,000 in unmatched credit card customer payments Citibank previously submitted under the unclaimed property laws and deposited in the State Treasury.

**SDDS, Inc. vs. State of South Dakota.** SDDS, Inc., a corporation, has brought action against the state of South Dakota for damages resulting from the claimed loss on the right to operate a solid waste facility near Igloo, South Dakota. The Plaintiff's reasoning for damages related to claims of condemnation. A jury trial is scheduled to begin March 22, 1999. It is currently impossible to give an approximation as to the amount of damages that could be awarded. If the jury finds for the Plaintiff and the jury verdict is upheld on appeal, the amount awarded could exceed \$1,000,000.

**State of South Dakota v. Philip Morris, Inc.** The state of South Dakota filed suit in circuit court, Hughes County, in February 1998 against the major cigarette manufacturers under a number of legal theories claiming damages associated with state-paid medical costs related to smoking. In November 1998, the tobacco industry entered into a global settlement with forty-six states, including South Dakota, regarding all smoking-related litigation. As part of the global settlement, the cigarette manufacturers agreed to make payments to the states in perpetuity for as long as the cigarettes are manufactured and sold in the United States. South Dakota's payments are dependent on a number of factors, including inflation, reduced cigarette sales, federal government activities, and market share modifications. Without those adjustments, the projected payments to the state of South Dakota for the first twenty-five years, through the year 2024, is in excess of \$655,000,000. Through the year 2003, the projected payments to South Dakota are approximately \$112,000,000. The tobacco manufacturers have made

the required payment for 1998, of which South Dakota's guaranteed share is \$8,374,699 plus accrued interest. The money is currently in escrow with a projected payment date of June 30, 2000.

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

## 17. SEGMENT INFORMATION

The state has three major enterprise funds that provide for operating the state lottery, low interest economic development loans, and water development loans. The state has five component unit enterprise funds that provide for low-interest housing loans, economic loans, cement production and sales, crop reduction payments, and operating the state fair. The state has one component unit special revenue fund that provides for low-interest housing loans. The state has two component unit pension trust funds which provide for retirement benefits for employees of the cement plant and higher education.

Selected financial information by segment is as follows (expressed in thousands):

### ENTERPRISE FUNDS:

	STATE LOTTERY	REVOLVING ECONOMIC DEVELOPMENT INITIATIVE	WATER POLLUTION CONTROL REVOLVING	DRINKING WATER REVOLVING	OTHER	TOTAL
Operating Revenues	\$ 120,663	\$ 599	\$ 9,384	\$ 5,487	\$ 7,387	\$ 143,520
Depreciation, Depletion and Amortization	222		29		174	425
Operating Income (Loss)	96,980	177	7,948	5,337	(100)	110,342
Operating Transfers:					59	59
In			29	22	37	97,107
Out	97,019		7,919	5,315	(314)	15,794
Net Income (Loss)	472	2,402	7,919	5,315		
Plant, Property and Equipment:					80	116
Additions	36				296	332
Deletions	36					
Net Increase (Decrease) in Cash and Cash Equivalents	661	697	(978)	10,508	(312)	10,576
Total Assets	11,297	68,602	83,562	13,269	5,991	182,781
Total Equity	5,035	63,037	64,557	6,739	5,047	144,415

COMPONENT UNIT ENTERPRISE FUNDS:

	HOUSING AUTHORITY	FINANCE AUTHORITY	CEMENT PLANT	CROP REDUCTION ENHANCEMENT PROGRAM	STATE FAIR	TOTAL
Operating Revenues	\$ 105,607	\$ 2,636	\$ 58,618	\$ 840	\$1,767	\$ 169,468
Depreciation, Depletion and Amortization	1,747		3,620	66	185	5,618
Operating Income (Loss)	21,196	(172)	21,387	(170)	(118)	42,123
Operating Transfers:						
In					127	127
Out			12,000			12,000
Net Income (Loss)	20,369	(168)	12,035	(170)	68	32,134
Plant, Property and Equipment:						
Additions	572		6,616		118	7,306
Deletions	16		1,024		27	1,067
Net Increase (Decrease) in Cash and Cash Equivalents	13,804	(886)	7,555	2,343	44	22,860
Total Assets	1,545,615	47,218	116,730	14,070	3,874	1,727,507
Total Equity	204,087	11,796	110,999	923	3,390	331,195

COMPONENT UNIT - SPECIAL REVENUE AND PENSION TRUST FUNDS:

	SPECIAL REVENUE	PENSION TRUST		TOTAL
	HOUSING AUTHORITY	CEMENT PLANT	PERPETUITY FUND	
Operating Revenues	\$ 19,255			\$ 19,255
Excess of Revenues Over (Under) Expenditures	4,495			4,495
Total Additions		4,272	333	4,605
Total Deductions		954	142	1,096
Total Assets	15,709	27,913	2,441	46,063
Total Equity	14,273	26,448	2,441	43,162

COMPONENT UNIT - HIGHER EDUCATION:

	ASSETS	LIABILITIES		TOTAL ASSETS	TOTAL LIABILITIES	FUND BALANCE
	PROPERTY, PLANT, AND EQUIPMENT	DUE TO PRIMARY GOVERNMENT	BONDS, NOTES, COPs AND TRUST CERTIFICATES			
Current Funds:						
Unrestricted	\$	\$ 535	\$	\$ 56,321	\$ 35,989	\$ 20,332
Restricted		122		7,371	4,713	2,658
Loan Funds				30,938	123	30,815
Plant Funds:						
Unexpended			5,003	7,353	5,836	1,517
Renewal and Replacement		13		14,109	1,913	12,196
Retirement of Indebtedness			4,615	5,809	5,515	294
Investment in Plant	436,151		61,302	436,983	62,589	374,394
Agency Funds		1		441	441	
Higher Education Totals	\$ 436,151	\$ 671	\$ 70,920	\$559,325	\$ 117,119	\$442,206

18. SUBSEQUENT EVENTS

Housing Authority

In August of 1998, the authority issued \$20,960,000 of Homeownership Mortgage Bonds 1998 Series A. The bonds mature on May 1, 2007, through May 1, 2028, and are at interest rates from 4.85% to 5.4%.

In August of 1998, the authority issued \$43,135,000 of Homeownership Mortgage bonds 1998 Series B and C. The bonds mature on August 5, 1999, and are at an interest rate of 3.75%.

In October of 1998, the authority issued \$25,000,000 of Homeownership Mortgage Bonds 1998 Series D and E. The bonds mature on May 1, 2000, through May 1, 2029, and are at interest rates from 3.75% to 5.35%.

In December of 1998, the authority issued \$82,000,000 of Homeownership Mortgage Bonds 1998 Series H and I. The bonds mature on December 2, 1999, and are at an interest rate of 3.2%.

### **Higher Education**

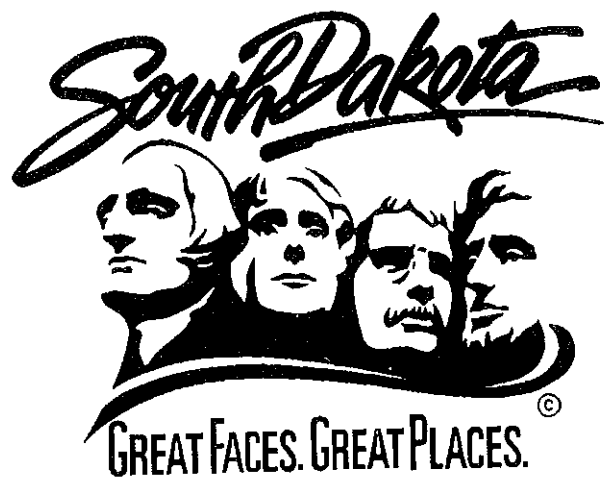
The South Dakota Board of Regents authorized bonds dated June 15, 1998 in the amount of \$2,880,000. The bond proceeds, along with university funds, will be used to renovate the student union at Northern State University.

### **Finance Authority**

On August 6, 1998, the authority issued \$685,000 of Bonds 1998A Series and \$395,000 of Bonds 1998B Series. Midstates Printing, Aberdeen, will use the funds for a building acquisition and construction. This is a pooled loan.

Fimco, Inc., North Sioux City: The bonds were issued December 17, 1998, in the amount of \$4,840,000 to build a new facility. The interest rate and maturity date was not available at this time. This is a pooled loan.





## **REQUIRED SUPPLEMENTAL INFORMATION**

### **YEAR 2000 DISCLOSURE**

The state of South Dakota has many information systems that are used to deliver services both to the public and internally. Many existing information systems and equipment were not designed to function properly after the year 2000 due to their inability to correctly differentiate dates between the 20<sup>th</sup> and 21<sup>st</sup> centuries.

To identify and correct these problems, the state has appointed a Year 2000 (Y2K) coordinator and has developed a plan to identify information systems, computer hardware, and embedded systems that are not Y2K compliant. All information systems and hardware have been assessed. Reporting the progress made towards remediating and certifying these systems as compliant is carried out monthly as is reporting any embedded systems and supply chain concerns. Agencies have been encouraged to identify and prepare for any potential liability issues.

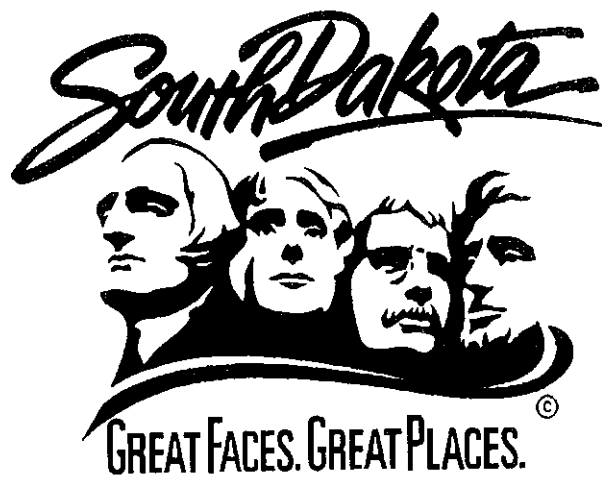
The majority of all information systems, voice/data/video networks, PC/mini/mainframe computer platforms, and devices with embedded chips are targeted to be Y2K compliant by July of 1999, with the remainder scheduled to be compliant before the year 2000.

The state's efforts to become Y2K compliant extend beyond its own internal systems. The state has an active public outreach program to the South Dakota public and private sectors. A Y2K video was produced by South Dakota Public Television. This video aired on television several times and 2,500 copies were distributed to all elected officials, county officials, school superintendents, boards and commissions, public libraries, etc. The state maintains a Y2K web site with links to useful information and the status of the state's remediation efforts.

The state, excluding component units, has spent approximately \$4.7 million in Y2K remediation to date, and expects to spend approximately \$2.6 million more through the end of FY2000 in these efforts. In addition, the South Dakota Lottery will also be spending approximately \$2.9 million on a new lottery system that was initiated by Y2K compliance issues. While this system has new functionality, there is no way to separate the portion that is Y2K.

The state's discrete component units are responsible for assessing and modifying their systems for Y2K compliance.

Higher Education, a major component unit, plans to have the majority of all current systems Y2K compliant by July of 1999, with the remainder scheduled to be compliant before the year 2000. Higher Education is currently involved with the same assessment plan for Y2K changes that the rest of state government is undergoing. They also have a contingency plan in place that describes how they intend to respond to Y2K challenges that disrupt its normal state of operations and services to its campus community. This plan is limited to information technology, computer, and communication problems that may arise. Higher Education has spent approximately \$252,000 in Y2K remediation to date, and expects to spend approximately \$282,000 more on Y2K issues.



## **COMBINING FINANCIAL STATEMENTS**

**The “Combining Financial Statements” are displayed to provide the reader a detailed financial analysis of the units of state government according to their fund type.**

### **THE FOLLOWING FUND TYPES ARE DISPLAYED FOR REVIEW:**

**Special Revenue Funds**

**Debt Service Funds**

**Capital Projects Funds**

**Enterprise Funds**

**Internal Service Funds**

**Trust and Agency Funds**

**Component Units**

**University Funds**



## **SPECIAL REVENUE FUNDS**

**“Special Revenue Funds” are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.**

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS**

June 30, 1998

(Expressed in Thousands)

<u>Assets</u>	<u>Transportation</u>	<u>Transportation Federal</u>	<u>Social Services Federal</u>	<u>Education Federal</u>	<u>Human Services Federal</u>
Cash and Cash Equivalents	\$ 54,996	\$	\$	\$	\$
Investments					
Securities Lending Collateral	9,148				
Accounts Receivable	177	353	1,212		1
Taxes Receivable (Net)					
Interest, Dividends & Penalties Receivable					
Loans and Notes Receivable (Net)	40				10
Due From Other Funds	30,529	365	236	5	2,101
Due from Other Governments	1,012	26,153	24,564	9,438	6,681
Inventory	10,990		2,101	419	291
Advances To Other Funds		813			
Deferred Fiscal Charges and Other Assets			568	271	44
<b>Total Assets</b>	<b>\$ 106,892</b>	<b>\$ 27,684</b>	<b>\$ 28,681</b>	<b>\$ 10,133</b>	<b>\$ 9,128</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 8,193	\$ 17,366	\$ 19,847	\$ 983	\$ 4,333
Accrued Liabilities	2,220		808	100	795
Compensated Absences Payable	202				29
Due to Other Funds	1,774	8,387	4,017	740	3,436
Due To Component Units			43	99	
Due To Other Governments				6,958	
Deferred Revenue	2		3,339	591	45
Advances From Other Funds	813				
Securities Lending Collateral Liability	9,148				
<b>Total Liabilities</b>	<b>22,352</b>	<b>25,753</b>	<b>28,054</b>	<b>9,471</b>	<b>8,638</b>
<b>Fund Equity:</b>					
<b>Fund Balance:</b>					
Reserved:	2,397	2,191	111	25	823
Unreserved:					
Undesignated	82,143	(260)	516	637	(333)
<b>Total Fund Equity</b>	<b>84,540</b>	<b>1,931</b>	<b>627</b>	<b>662</b>	<b>490</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 106,892</b>	<b>\$ 27,684</b>	<b>\$ 28,681</b>	<b>\$ 10,133</b>	<b>\$ 9,128</b>

Labor Federal	Health Federal	Governor's Office Federal	Military Affairs Federal	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation
\$ 402	\$ 1,082	\$	\$	\$	\$	\$ 9,953	\$ 1,915
66	178					1,628	271
						106	
174	161				393	934	1,287
678	783	3,385	2,330	1,110	662		
170	661						
24		3		7			
\$ 1,514	\$ 2,865	\$ 3,388	\$ 2,330	\$ 1,117	\$ 1,055	\$ 12,621	\$ 3,473
\$ 670	\$ 431	\$ 12	\$ 456	\$ 196	\$ 42	\$ 233	\$ 243
520	239	15	108	77	108	327	273
258	177	19	1,592	781	818	915	239
		3,339	154	43	87	254	
66	178					1,628	271
1,514	1,025	3,385	2,310	1,117	1,055	3,357	1,026
	68	55,759	142	466	49	168	167
	1,772	(55,756)	(122)	(466)	(49)	9,096	2,280
0	1,840	3	20	0	0	9,264	2,447
\$ 1,514	\$ 2,865	\$ 3,388	\$ 2,330	\$ 1,117	\$ 1,055	\$ 12,621	\$ 3,473

Continued on next page



**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS (continued)**

June 30, 1998

(Expressed in Thousands)

<b>Assets</b>	<b>Securities and Insurance</b>	<b>Health</b>	<b>Gaming Commission</b>	<b>Motor Vehicle</b>	<b>Revenue</b>	<b>Employer's Investment</b>
Cash and Cash Equivalents	\$ 542	\$ 1,437	\$ 4,743	\$ 4,347	\$ 2,283	\$ 14,299
Investments						
Securities Lending Collateral	87	200	779	710	375	2,345
Accounts Receivable		86	34			
Taxes Receivable (Net)			335			
Interest, Dividends & Penalties Receivable						
Loans and Notes Receivable (Net)						
Due From Other Funds	262	3	107	1,255	390	1,101
Due From Other Governments		0				
Inventory		37				
Advances To Other Funds						
Deferred Fiscal Charges and Other Assets	5					
<b>Total Assets</b>	<b>\$ 896</b>	<b>\$ 1,771</b>	<b>\$ 5,998</b>	<b>\$ 6,312</b>	<b>\$ 3,048</b>	<b>\$ 17,745</b>
<b>Liabilities and Fund Equity</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 4	\$ 248	\$ 29	\$ 60	\$ 30	\$ 110
Accrued Liabilities	67	14	28	161	183	
Compensated Absences Payable						
Due To Other Funds	51	23	150	2,802	211	
Due To Component Units						
Due To Other Governments			462			
Deferred Revenue			4,274			
Advances From Other Funds						
Securities Lending Collateral Liability	87	200	779	710	375	2,345
<b>Total Liabilities</b>	<b>209</b>	<b>485</b>	<b>5,722</b>	<b>3,733</b>	<b>799</b>	<b>2,455</b>
<b>Fund Equity:</b>						
<b>Fund Balance:</b>						
Reserved:	4	48	1	178	222	
Unreserved:						
Undesignated	683	1,238	275	2,401	2,027	15,290
<b>Total Fund Equity</b>	<b>687</b>	<b>1,286</b>	<b>276</b>	<b>2,579</b>	<b>2,249</b>	<b>15,290</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 896</b>	<b>\$ 1,771</b>	<b>\$ 5,998</b>	<b>\$ 6,312</b>	<b>\$ 3,048</b>	<b>\$ 17,745</b>

Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair	Water and Environment	Rural Rehabilitation	Energy Conservation	Other	Total
\$ 12,965	\$ 6,259	\$ 9,204	\$ 7,726	\$ 5,915	\$ 6,242	\$ 66,398	\$ 210,708
2,135	1,028	1,509	1,103	969	495	10,369	495
					1,024		33,924
						182	2,154
			44	40	41	45	335
		68	11,116	3,946	875	2,454	170
13,082	1,847	874	1,501	473	527	5,305	18,509
						2,988	62,912
						146	79,791
		400				867	14,815
						965	2,080
							1,887
<u>\$ 28,182</u>	<u>\$ 9,134</u>	<u>\$ 12,059</u>	<u>\$ 21,490</u>	<u>\$ 11,343</u>	<u>\$ 9,204</u>	<u>\$ 89,717</u>	<u>\$ 427,780</u>
\$	\$ 608	\$ 785	\$ 629	\$ 10	\$ 98	\$ 2,750	\$ 58,366
	23			12		826	6,904
						16	255
	9	93		8	1	2,397	28,898
						113	267
		62			71	181	11,549
						11,824	20,137
							813
2,135	1,028	1,509	1,103	969	1,024	10,369	33,924
<u>2,135</u>	<u>1,668</u>	<u>2,449</u>	<u>1,732</u>	<u>999</u>	<u>1,194</u>	<u>28,476</u>	<u>161,113</u>
		1,804	8,726	3,500	1,154	3,874	81,878
26,047	7,465	7,806	11,032	6,844	6,856	57,367	184,789
<u>26,047</u>	<u>7,465</u>	<u>9,610</u>	<u>19,758</u>	<u>10,344</u>	<u>8,010</u>	<u>61,241</u>	<u>266,667</u>
<u>\$ 28,182</u>	<u>\$ 9,134</u>	<u>\$ 12,059</u>	<u>\$ 21,490</u>	<u>\$ 11,343</u>	<u>\$ 9,204</u>	<u>\$ 89,717</u>	<u>\$ 427,780</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Transportation	Transportation Federal	Social Services Federal	Education Federal	Human Services Federal
Revenue:					
Taxes	\$ 107,522	\$	\$	\$	\$
Licenses, Permits and Fees	50,134				
Fines, Forfeits and Penalties	3,462		32		
Use of Money and Property	1,424				
Sales and Services	5,278	189,842	295,328	78,436	70,767
Administering Programs	2,031		1,453	110	
Other Revenue	169,851	189,842	296,813	78,546	70,767
Total Revenue					
Expenditures:				78,491	
Education and Research					
Economic Resources					
General Government	3,076				
Human Resources			296,900		70,504
Natural Resources	11,215				
Protection of Domain	146,193	188,215			
Transportation	160,484	188,215	296,900	78,491	70,504
Total Expenditures					
Excess of Revenue Over (Under)	9,367	1,627	(87)	55	263
Expenditures					
Other Financing Sources (Uses):					
Operating Transfers In	9	685		89	577
Operating Transfers Out	(1,998)	(407)			(566)
Net Other Financing Sources (Uses)	(1,989)	278	0	89	11
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	7,378	1,905	(87)	144	274
and Other Financing Uses					
Fund Balance at Beginning of Year, Restated	77,162	26	714	518	216
Residual Equity Transfer In					
Residual Equity Transfer Out					
Fund Balance at End of Year	\$ 84,540	\$ 1,931	\$ 627	\$ 662	\$ 490

Labor Federal	Health Federal	Governor's Office Federal	Military Affairs Federal	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation
\$	\$ 107	\$	\$	\$	\$	\$ 13,370	\$ 977
			58			927	262
24,271	19,492	12,863	39,533	4,915	5,842	284	55
	2		33		2	126	276
<u>24,271</u>	<u>19,601</u>	<u>12,863</u>	<u>39,622</u>	<u>4,915</u>	<u>5,844</u>	<u>14,893</u>	<u>4,927</u>
		12,796					
<u>25,911</u>	<u>19,398</u>			4,707	5,980	12,208	4,873
			38,987				
<u>25,911</u>	<u>19,398</u>	<u>12,796</u>	<u>38,987</u>	<u>4,707</u>	<u>5,980</u>	<u>12,208</u>	<u>4,873</u>
(1,640)	203	67	635	208	(136)	2,685	64
1,640	4				405	71	7
	(77)	(67)	(618)	(227)	(269)	(3,183)	(553)
<u>1,640</u>	<u>(73)</u>	<u>(67)</u>	<u>(618)</u>	<u>(227)</u>	<u>136</u>	<u>(3,112)</u>	<u>(546)</u>
	130		17	(19)		(427)	(492)
	680	3	3	19		9,691	2,939
	1,030						
<u>\$ 0</u>	<u>\$ 1,840</u>	<u>\$ 3</u>	<u>\$ 20</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,264</u>	<u>\$ 2,447</u>

Continued on next page

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS (continued)**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Securities and Insurance	Health	Gaming Commission	Motor Vehicle	Revenue	Employer's Investment
Revenue:						
Taxes	\$	\$	\$ 3,862	\$ 2,336	\$ 2,722	\$
Licenses, Permits and Fees	19,731	4,503	5,202	3,363	1,448	6,055
Fines, Forfeits and Penalties	51		30			
<del>Use of Money and Property</del>	<del>272</del>		<del>104</del>	<del>280</del>	<del>68</del>	<del>103</del>
Sales and Services	15			1,344	2,847	580
Administering Programs		261				
Other Revenue		11		10		1,897
Total Revenue	<u>20,069</u>	<u>4,775</u>	<u>9,198</u>	<u>7,313</u>	<u>7,185</u>	<u>9,635</u>
Expenditures:						
Education and Research						
Economic Resources						6,579
General Government				3,705	5,980	
<del>Human Resources</del>		<del>5,088</del>				
Natural Resources						
Protection of Domain	1,924		7,595	2,757		
Transportation						
Total Expenditures	<u>1,924</u>	<u>5,088</u>	<u>7,595</u>	<u>6,462</u>	<u>5,980</u>	<u>6,579</u>
Excess of Revenue Over (Under)						
<del>Expenditures</del>	<del>18,145</del>	<del>(313)</del>	<del>1,603</del>	<del>851</del>	<del>1,205</del>	<del>3,056</del>
Other Financing Sources (Uses):						
Operating Transfers In		77				7
Operating Transfers Out	(17,767)	(467)	(1,458)	(157)		(200)
Net Other Financing Sources (Uses)	<u>(17,767)</u>	<u>(390)</u>	<u>(1,458)</u>	<u>(157)</u>	<u>0</u>	<u>(193)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures						
<del>and Other Financing Uses</del>	<del>378</del>	<del>(703)</del>	<del>145</del>	<del>694</del>	<del>1,205</del>	<del>2,863</del>
Fund Balance at Beginning of Year, Restated	309	1,913	131	1,885	1,044	12,427
Residual Equity Transfer In		76				
Residual Equity Transfer Out						
Fund Balance at End of Year	<u>\$ 687</u>	<u>\$ 1,286</u>	<u>\$ 276</u>	<u>\$ 2,579</u>	<u>\$ 2,249</u>	<u>\$ 15,290</u>

Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair	Water and Environment	Rural Rehabilitation	Energy Conservation	Other	Total
\$	\$ 8,500	\$	\$ 472	\$	\$	\$ 5,874	\$ 123,765
			5,871	112		19,563	141,288
						4,024	4,105
	418	834	643	589	500	4,625	14,235
		582		8		6,971	14,110
				123	91	14,797	762,241
	119		6	282		5,835	12,005
	9,037	1,416	6,992	1,094	591	61,689	1,071,749
0							
						1,515	80,006
					1,755	4,494	25,624
		3,403				11,207	27,371
						10,135	427,936
			8,301	693		22,269	59,031
	5,248					10,556	78,282
						2,712	337,120
0	5,248	3,403	8,301	693	1,755	62,888	1,035,370
0	3,789	(1,987)	(1,309)	401	(1,164)	(1,199)	36,379
101,281			2,216			8,219	115,287
(85,300)		(293)	(1,485)	(9)		(1,802)	(116,903)
15,981	0	(293)	731	(9)	0	6,417	(1,616)
15,981	3,788	(2,280)	(578)	392	(1,164)	5,218	34,763
10,066	3,677	11,890	20,336	9,952	9,174	57,129	231,904
						1,974	3,080
						(3,080)	(3,080)
\$ 26,047	\$ 7,466	\$ 9,610	\$ 19,758	\$ 10,344	\$ 8,010	\$ 61,241	\$ 266,667



## **DEBT SERVICE FUNDS**

**“Debt Service Funds” are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.**



**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS**

June 30, 1998

(Expressed in Thousands)

	<u>Building Authority</u>	<u>Vocational Education Facilities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 110,360	\$ 3,701	\$ 111,154
Investments		794	25
Interest, Dividends & Penalties Receivable		25	25
Due From Other Funds	4,211	98	4,309
Due From Other Governments		67	67
<b>Total Assets</b>	<u>\$ 114,571</u>	<u>\$ 4,685</u>	<u>\$ 119,256</u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
Accrued Liabilities	\$ 2,423	\$ 570	\$ 2,993
<b>Total Liabilities</b>	<u>2,423</u>	<u>570</u>	<u>2,993</u>
<b>Fund Equity:</b>			
Fund Balance:			
Reserved	112,148	4,115	116,263
<b>Total Liabilities and Fund Equity</b>	<u>\$ 114,571</u>	<u>\$ 4,685</u>	<u>\$ 119,256</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Building Authority	Vocational Education Facilities	Total
Revenue:			
Licenses, Permits and Fees	\$	\$ 1,161	\$ 1,161
Use of Money and Property		219	219
Other Revenue		190	190
Total Revenue	<u>0</u>	<u>1,570</u>	<u>1,570</u>
Expenditures:			
Current:			
Education and Research		26	26
Debt Service:			
Principal	11,192	605	11,797
Interest	10,623	1,132	11,755
Total Expenditures	<u>21,815</u>	<u>1,763</u>	<u>23,578</u>
Excess of Revenue Over (Under) Expenditures	(21,815)	(193)	(22,008)
Other Financing Sources (Uses):			
Proceeds of Refunding Bonds		12,931	12,931
Payments on Advance Refundings		(12,834)	(12,834)
Operating Transfers In	14,309	1,777	16,086
Transfers From Component Units	53	108	161
Operating Transfers Out	(10)		(10)
Net Other Financing Sources (Uses)	<u>14,352</u>	<u>1,982</u>	<u>16,334</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,463)	1,789	(5,674)
Fund Balance at Beginning of Year, restated	<u>119,611</u>	<u>2,326</u>	<u>121,937</u>
Fund Balance at End of Year	<u>\$ 112,148</u>	<u>\$ 4,115</u>	<u>\$ 116,263</u>



## **CAPITAL PROJECTS FUNDS**

**“Capital Projects Funds” are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds) .**

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUNDS**

June 30, 1998

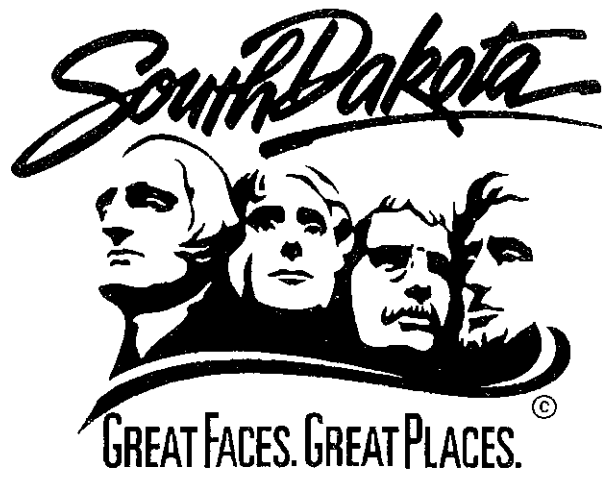
(Expressed in Thousands)

<b>Assets</b>	<b>Building Authority</b>	<b>Vocational Education Facilities</b>	<b>Public Buildings</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 1,094	\$ 1,706	\$	\$ 2,800
Investments			579	579
Securities Lending Collateral	250			250
Interest, Dividends & Penalties Receivable		7	7	14
Due From Other Funds	147			147
<b>Total Assets</b>	<b>\$ 1,491</b>	<b>\$ 1,713</b>	<b>\$ 586</b>	<b>\$ 3,790</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 16	\$	\$	\$ 16
Due To Other Funds	161			161
Securities Lending Collateral Liability	250			250
<b>Total Liabilities</b>	<b>427</b>	<b>0</b>	<b>0</b>	<b>427</b>
<b>Fund Equity:</b>				
<b>Fund Balance:</b>				
<b>Unreserved:</b>				
Undesignated	1,064	1,713	586	3,363
<b>Total Fund Equity</b>	<b>1,064</b>	<b>1,713</b>	<b>586</b>	<b>3,363</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,491</b>	<b>\$ 1,713</b>	<b>\$ 586</b>	<b>\$ 3,790</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Building Authority	Vocational Education Facilities	Public Buildings	Total
Revenue:				
Use of Money and Property	\$ 136	\$ 48	\$ 90	\$ 274
Total Revenue	<u>136</u>	<u>48</u>	<u>90</u>	<u>274</u>
Expenditures:				
Current:				
General Government	56			56
Capital Outlay	588			588
Total Expenditures	<u>644</u>	<u>0</u>	<u>0</u>	<u>644</u>
Excess of Revenue Over (Under) Expenditures	(508)	48	90	(370)
Other Financing Sources (Uses):				
Bond Proceeds		1,665		1,665
Operating Transfers In	364			364
Operating Transfers Out	(1,000)			(1,000)
Operating Transfers To Component Units	(2)			(2)
Net Other Financing Sources (Uses)	<u>(638)</u>	<u>1,665</u>	<u>0</u>	<u>1,027</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,146)	1,713	90	657
Fund Balance at Beginning of Year	<u>2,210</u>		<u>496</u>	<u>2,706</u>
Fund Balance at End of Year	<u>\$ 1,064</u>	<u>\$ 1,713</u>	<u>\$ 586</u>	<u>\$ 3,363</u>



## **ENTERPRISE FUNDS**

**“Enterprise Funds” are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.**



**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
ENTERPRISE FUNDS**

June 30, 1998  
(Expressed in Thousands)

Assets	Lottery	Revolving Economic Development & Initiative	Water Pollution Control Revolving	Drinking Water Revolving	Other	Total
Cash and Cash Equivalents	\$ 5,613	\$ 34,001	\$ 1,390	\$ 10,457	\$ 2,002	\$ 53,463
Investments			28,563			28,563
Securities Lending Collateral	816	5,553				6,369
Accounts Receivable	4,055				304	4,359
Interest, Dividends & Penalties Receivable		52	831	16		899
Loans and Notes Receivable (Net)		23,546	52,202	2,372		78,120
Due From Other Funds	594	2,646				3,240
Due From Component Units		2,804			358	3,162
Due From Other Governments					79	79
Inventory			103	124		227
Deferred Fiscal Charges and Other Assets	12		473	300	1,338	1,338
Property, Plant and Equipment (Net)	207				32	817
					1,567	1,774
<b>Total Assets</b>	<b>\$ 11,297</b>	<b>\$ 68,602</b>	<b>\$ 83,562</b>	<b>\$ 13,269</b>	<b>\$ 5,991</b>	<b>\$ 182,721</b>
<b>Liabilities and Fund Equity</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 793	\$	\$ 14	\$ 55	\$ 229	\$ 1,091
Accrued Liabilities	61	7	437	25	39	569
Compensated Absences Payable	169	5			156	330
Due To Other Funds	3,597				39	3,636
Deferred Revenue	141				39	180
Escrow Payable	48					48
Securities Lending Collateral Liability	816	5,553			311	6,680
Bonds and Notes Payable (Net)			18,554	6,450		25,004
Capital Lease Obligations					131	131
Other Liabilities	637					637
<b>Total Liabilities</b>	<b>6,262</b>	<b>5,565</b>	<b>19,005</b>	<b>6,530</b>	<b>944</b>	<b>38,306</b>
<b>Fund Equity:</b>						
Contributions		40,450	1,200	1,424	611	43,685
Retained Earnings:						
Unreserved	5,035	22,587	63,357	5,315	4,436	100,730
<b>Total Fund Equity</b>	<b>5,035</b>	<b>63,037</b>	<b>64,557</b>	<b>6,739</b>	<b>5,047</b>	<b>144,415</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 11,297</b>	<b>\$ 68,602</b>	<b>\$ 83,562</b>	<b>\$ 13,269</b>	<b>\$ 5,991</b>	<b>\$ 182,721</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Lottery	Revolving Economic Development & Initiative	Water Pollution Control Revolving	Drinking Water Revolving	Other	Total
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,184	\$	\$	\$	\$	\$ 1,184
Use of Money and Property		593	3,187	42		3,822
<del>Sales and Services</del>	<del>119,479</del>		<del>528</del>	<del>3</del>	<del>7,387</del>	<del>127,397</del>
Administering Programs			5,669	5,442		11,111
Other Revenue		6				6
Total Operating Revenue:	<u>120,663</u>	<u>599</u>	<u>9,384</u>	<u>5,487</u>	<u>7,387</u>	<u>143,520</u>
Operating Expenses:						
Personal Services and Benefits	1,161	142	160	90	888	2,441
Travel	94	11	7	8	65	185
<del>Contractual Services</del>	<del>5,522</del>	<del>185</del>	<del>88</del>	<del>21</del>	<del>1,650</del>	<del>7,366</del>
Supplies and Materials	1,104	23	6	6	4,690	5,829
Other					5	5
Interest			1,146	25	15	1,186
Bad Debts		161				161
<del>Depreciation/Amortization</del>	<del>222</del>		<del>29</del>		<del>174</del>	<del>425</del>
Lottery Prizes	15,580					15,580
Total Operating Expenses	<u>23,683</u>	<u>422</u>	<u>1,436</u>	<u>150</u>	<u>7,487</u>	<u>33,178</u>
Operating Income (Loss)	<u>96,980</u>	<u>177</u>	<u>7,948</u>	<u>5,337</u>	<u>(100)</u>	<u>110,342</u>
Nonoperating Revenue (Expenses):						
Loss on Disposal of Assets		(150)				(150)
Interest Income	570	2,592			125	3,287
Other Expense	(96)	(217)			(426)	(739)
Grant and Other Income	37				65	102
Total Nonoperating Revenue (Expenses)	<u>511</u>	<u>2,225</u>	<u>0</u>	<u>0</u>	<u>(236)</u>	<u>2,500</u>
Net Income (Loss) Before Operating Transfers	97,491	2,402	7,948	5,337	(336)	112,842
Operating Transfers:						
Operating Transfers In					59	59
Operating Transfers Out	(97,019)		(29)	(22)	(37)	(97,107)
Net Operating Transfers	<u>(97,019)</u>	<u>0</u>	<u>(29)</u>	<u>(22)</u>	<u>22</u>	<u>(97,048)</u>
<del>Net Income (Loss)</del>	<del>472</del>	<del>2,402</del>	<del>7,919</del>	<del>5,315</del>	<del>(314)</del>	<del>15,794</del>
Retained Earnings At Beginning of Year, restated	4,563	20,185	55,438		4,723	84,909
Decrease in Contributed Capital					27	27
Retained Earnings at End of Year	<u>\$ 5,035</u>	<u>\$ 22,587</u>	<u>\$ 63,357</u>	<u>\$ 5,315</u>	<u>\$ 4,436</u>	<u>\$ 100,730</u>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Lottery	Revolving Economic Development & Initiative	Water Pollution Control Revolving	Drinking Water Revolving	Other	Totals
Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ 96,980	\$ 177	\$ 7,948	\$ 5,337	\$ (100)	\$ 110,342
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation/Amortization Expense	222		29			425
Bad Debt Expense					174	174
Unamortized Charges Expensed		161				161
Investment Income			95			95
Interest Expense			(1,671)	(32)		(1,703)
Miscellaneous Nonoperating Items	(11)		1,051	25	15	1,091
Decrease/(Increase) in Assets:					(212)	(223)
Accounts Receivable	26					61
Interest, Dividends & Penalties Receivable		(12)	(87)	(9)	35	(108)
Loans and Notes Receivable		(1,681)	(2,404)	(2,372)		(6,457)
Due From Component Units	(2)				27	25
Due From Other Governments		114			(79)	35
Inventory			(53)	(73)		(126)
Deferred Fiscal Charges and Other Assets					(296)	(296)
Increase/(Decrease) in Liabilities:		1			6	7
Accounts Payable	178	(5)	14	55	148	390
Accrued Liabilities	8	(2)			(24)	(18)
Compensated Absences Payable	14	(1)			(9)	4
Deferred Revenue	(188)				(2)	(188)
Escrow Payable	30				(8)	22
Other Liabilities	(20)					(20)
Total Adjustments	8					8
Net Cash Provided (Used) by Operating Activities	267	(1,425)	(3,026)	(2,406)	(225)	(6,815)
Cash Flows From Capital and Related Financing Activities:	97,247	(1,248)	4,922	2,931	(325)	103,527
Purchases of Capital Assets	(36)				(80)	(116)
Sale of Capital Assets					22	22
Sale of Other Assets		25				25
Payments on Capital Lease Obligations					(65)	(65)
Net Cash Provided (Used) by Capital and Related Financing Activities	(36)	25	0	0	(123)	(134)
Cash Flows From Noncapital Financing Activities:						
Operating Transfers In					59	59
Operating Transfers Out	(97,019)		(29)	(22)	(37)	(97,107)
Contributed Capital				1,424		1,424
Issuance of Bonds			(675)	6,450		6,450
Payments on Bonds and Notes				(301)		(675)
Bond Issuance Costs						(301)
Interest Payments on Bonds and Notes			(1,087)			(1,087)
Net Cash Provided (Used) by Noncapital Financing Activities	(97,019)	0	(1,791)	7,551	22	(91,237)
Cash Flows From Investing Activities:						
Investment Income	518	2,137	1,603	26	125	4,409
Purchase of Investment Securities			(9,160)			(9,160)
Proceeds From Sales and Maturities of Investment Securities			3,448			3,448
Security Lending Rebate Fees	(49)	(217)				(277)
Net Cash Provided (Used) by Investing Activities	469	1,920	(4,109)	26	114	(1,580)
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	661	697	(978)	10,508	(312)	10,576
Cash and Cash Equivalents at Beginning of Year, Restated	4,952	33,304	2,368	(51)	2,314	42,887
Cash and Cash Equivalents at End of Year	\$ 5,613	\$ 34,001	\$ 1,390	\$ 10,457	\$ 2,002	\$ 53,463
Noncash Investing, Capital and Financing Activities:						
Loss/(Gain) on Disposal of Fixed Assets		150			138	288

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
INTERNAL SERVICE FUNDS**

June 30, 1998  
(Expressed in Thousands)

Assets	Self- Insurance	Information Services	Tele- Communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash and Cash Equivalents	\$ 14,105	\$ 1,265	\$ 303	\$ 713	\$ 452	\$ 202
Securities Lending Collateral	2,315	208	50	117	74	33
Accounts Receivable			80	6	3	18
Due From Other Funds	1,015	1,323	1,010	623	807	329
Due From Component Units	8	103	304	18		1
Due From Other Governments						
Inventory		28	533		86	122
Advances To Other Funds		496				
Deferred Fiscal Charges and Other Assets	411	168	418	128		5
Property, Plant and Equipment (Net)	8	2,486	1,644	3,212	631	33
<b>Total Assets</b>	<b>\$ 17,862</b>	<b>\$ 6,081</b>	<b>\$ 4,342</b>	<b>\$ 4,817</b>	<b>\$ 2,033</b>	<b>\$ 733</b>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Accounts Payable	\$ 86	\$ 310	\$ 543	\$ 75	\$ 97	\$ 9
Accrued Liabilities	9	320	145	16	85	10
Compensated Absences Payable	33	1,355	430	84	243	36
Due To Other Funds	27	303	169	139	22	9
Due to Component Units						
Deferred Revenue	2,319					
Advances From Other Funds						
Policy Claims Liabilities	5,636					
Securities Lending Collateral Liability	2,315	208	50	117	74	33
Bonds and Notes Payable (Net)					354	
Capital Lease Obligations		554	121			
<b>Total Liabilities</b>	<b>10,425</b>	<b>3,050</b>	<b>1,458</b>	<b>431</b>	<b>875</b>	<b>2</b>
Fund Equity:						
Contributions	520	2,870	1,378	13	454	432
Retained Earnings:						
Unreserved	6,917	161	1,506	4,373	704	202
<b>Total Fund Equity</b>	<b>7,437</b>	<b>3,031</b>	<b>2,884</b>	<b>4,386</b>	<b>1,158</b>	<b>634</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 17,862</b>	<b>\$ 6,081</b>	<b>\$ 4,342</b>	<b>\$ 4,817</b>	<b>\$ 2,033</b>	<b>\$ 733</b>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Investment Council	Other	Total
\$ 217	\$ 10,913	\$ 18	\$ 275	\$ 2,467	\$ 609	\$ 2,696	\$ 34,235
36	1,792	3	45	405	100	442	5,620
<del>27</del>		<del>14</del>	<del>2</del>			<del>155</del>	<del>299</del>
30	783	1,620	344	166	54	949	9,053
31		118	1			77	661
						56	56
						<del>353</del>	<del>1,102</del>
							496
95					20	18	1,263
422	24	8,102	190	1	99	1,172	18,024
<u>\$ 858</u>	<u>\$ 13,512</u>	<u>\$ 9,875</u>	<u>\$ 857</u>	<u>\$ 3,039</u>	<u>\$ 882</u>	<u>\$ 5,918</u>	<u>\$ 70,809</u>
\$ 7	\$ 33	\$ 313	\$ 74	\$ 14	\$ 34	\$ 134	\$ 1,729
8	5	13	99	4	67	183	964
23	15	16	395	9	288	655	3,582
<del>28</del>	<del>4</del>	<del>289</del>	<del>47</del>	<del>2</del>	<del>6</del>	<del>379</del>	<del>1,424</del>
		19					19
					268	54	2,641
496		400					896
	<del>5,718</del>			<del>13,329</del>			<del>24,683</del>
36	1,792	3	45	405	100	442	5,620
							354
		2,062				332	3,071
<u>598</u>	<u>7,567</u>	<u>3,115</u>	<u>660</u>	<u>13,763</u>	<u>763</u>	<u>2,179</u>	<u>44,983</u>
4,025		4,994	107			1,680	16,473
(3,765)	5,945	1,766	90	(10,724)	119	2,059	9,353
260	5,945	6,760	197	(10,724)	119	3,739	25,826
<u>\$ 858</u>	<u>\$ 13,512</u>	<u>\$ 9,875</u>	<u>\$ 857</u>	<u>\$ 3,039</u>	<u>\$ 882</u>	<u>\$ 5,918</u>	<u>\$ 70,809</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- Communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Use of Money and Property	\$ 1	\$	\$	\$	\$ 6	\$
<del>Sales and Services</del>	<del>39,467</del>	<del>12,558</del>	<del>12,868</del>	<del>1,970</del>	<del>3,490</del>	<del>12,874</del>
Other Revenue			7		24	
Total Operating Revenue:	<u>39,468</u>	<u>12,558</u>	<u>12,875</u>	<u>1,970</u>	<u>3,520</u>	<u>2,874</u>
Operating Expenses:						
<del>Personal Services and Benefits</del>	<del>225</del>	<del>6,747</del>	<del>2,975</del>	<del>267</del>	<del>1,830</del>	<del>215</del>
Travel	8	97	94	5	10	3
Contractual Services	2,536	3,716	8,106	1,200	941	114
Supplies and Materials	47	311	549	43	523	2,446
<del>Interest</del>	<del></del>	<del>50</del>	<del>18</del>	<del></del>	<del>23</del>	<del>2</del>
Depreciation/Amortization	1	1,706	450	394	80	36
Insurance Claims	37,913					
Total Operating Expenses	<u>40,730</u>	<u>12,627</u>	<u>12,192</u>	<u>1,909</u>	<u>3,407</u>	<u>2,816</u>
Operating Income (Loss)	<u>(1,262)</u>	<u>(69)</u>	<u>683</u>	<u>61</u>	<u>113</u>	<u>58</u>
Nonoperating Revenue (Expenses):						
Loss on Disposal of Assets	(1)	(5)			(2)	
<del>Interest Income</del>	<del>929</del>	<del>102</del>	<del></del>	<del>67</del>	<del>8</del>	<del></del>
Other Expense	(83)	(9)		(8)		(1)
Total Nonoperating Revenue (Expenses)	<u>845</u>	<u>88</u>	<u>0</u>	<u>59</u>	<u>6</u>	<u>(1)</u>
Net Income (Loss) Before Operating Transfers	(417)	19	683	120	119	57
Operating Transfers:						
Operating Transfers In		244	179	294	20	21
Net Operating Transfers	<u>0</u>	<u>244</u>	<u>179</u>	<u>294</u>	<u>20</u>	<u>21</u>
<del>Net Income (Loss)</del>	<del>(417)</del>	<del>263</del>	<del>862</del>	<del>414</del>	<del>139</del>	<del>78</del>
Retained Earnings At Beginning of Year, restated	7,334	431	650	3,959	565	124
Residual Equity Transfer Out		(533)	(6)			
Retained Earnings at End of Year	<u>\$ 6,917</u>	<u>\$ 161</u>	<u>\$ 1,506</u>	<u>\$ 4,373</u>	<u>\$ 704</u>	<u>\$ 202</u>

Rural Development Telecommuni- cations Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Investment Council	Other	Total
\$	\$	\$	\$	\$	\$	\$	\$ 7
683	2,851	10,331	2,832	3,734	2,287	9,514	105,459
	235					66	332
683	3,086	10,331	2,832	3,734	2,287	9,580	105,798
167	118	252	2,104	98	1,460	3,949	20,405
6	19	6	50	1	57	195	551
525	765	3,581	602	238	698	1,846	24,868
13	30	5,269	213	5	40	2,791	12,280
		25				23	141
306	10	1,978	73		16	357	5,407
	3,893			3,509		212	45,527
1,017	4,835	11,111	3,042	3,849	2,271	9,373	109,179
(334)	(1,749)	(780)	(210)	(115)	16	207	(3,381)
		(67)	(21)		(2)	(2)	(100)
15	594	12	12	158		179	2,078
(1)	(52)			(16)		(16)	(186)
14	542	(55)	(9)	142	(2)	161	1,790
(320)	(1,207)	(835)	(219)	27	14	368	(1,591)
139		83				35	1,015
139	0	83	0	0	0	35	1,015
(181)	(1,207)	(752)	(219)	27	14	403	(578)
(3,584)	7,152	2,519	309	(10,751)	105	1,660	10,473
		(1)				(4)	(544)
\$ (3,765)	\$ 5,945	\$ 1,766	\$ 90	\$ (10,724)	\$ 119	\$ 2,059	\$ 9,353

# STATE OF SOUTH DAKOTA

## COMBINING STATEMENT OF CASH FLOWS

### INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1998

(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ (1,262)	\$ (69)	\$ 683	\$ 61	\$ 113	\$ 58
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation/Amortization Expense	1	1,706	450	394	80	36
Interest Expense		50	18		23	2
Miscellaneous Nonoperating Items						
Decrease/(Increase) in Assets:						
Accounts Receivable			18	(1)	(2)	(6)
Due From Other Funds		7	(394)	(1)	30	37
Due From Component Units	(8)	(100)	(86)	(8)		
Due From Other Governments						
Inventory		300	(533)		(3)	(40)
Deferred Fiscal Charges and Other Assets	141	95	(410)	(46)		(1)
Increase/(Decrease) in Liabilities:						
Accounts Payable	(73)	233	81	(119)	11	9
Accrued Liabilities	2	(56)	107	2	6	1
Compensated Absences Payable	6	(157)	249	(13)	1	5
Due To Other Funds	8	180	18	16	(21)	(2)
Due To Other Governments						
Deferred Revenue	25			(179)		
Policy Claim Liabilities	533					
Total Adjustments	635	2,258	(482)	57	125	41
Net Cash Provided (Used) by Operating Activities	(627)	2,189	201	118	238	99
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(1,212)	(948)	(1,708)	(37)	(27)
Sales of Capital Assets			43			
Payments on Notes					(90)	
Payments on Capital Lease Obligations		(755)	(28)			(33)
Capital Contributed			323			
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,967)	(610)	(1,708)	(127)	(60)
Cash Flows From Noncapital Financing Activities:						
Operating Transfers In		244	179	294	20	21
Residual Equity Transfers Out		(323)				
Net Cash Provided(Used) From Noncapital Financing Activities	0	(79)	179	294	20	21
Cash Flows From Investing Activities						
Investment Income (Expense)	971	36	43	149	11	6
Security Lending Rebate Fees	(83)	(9)		(8)		(1)
Net Cash Provided (Used) by Investing Activities	888	27	43	141	11	5
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	261	170	(187)	(1,155)	142	65
Cash and Cash Equivalents at Beginning of Year	13,844	1,095	490	1,868	310	137
Cash and Cash Equivalents at End of Year	\$ 14,105	\$ 1,265	\$ 303	\$ 713	\$ 452	\$ 202
Noncash Investing, Capital and Financing Activities:						
Loss/(Gain) on Disposal of Fixed Assets	1	5	(11)		2	
Donation of Fixed Assets		6	629		4	
Capital Lease Obligations Entered Into			132			
Residual Equity Transfers (In)/Out		210	6			

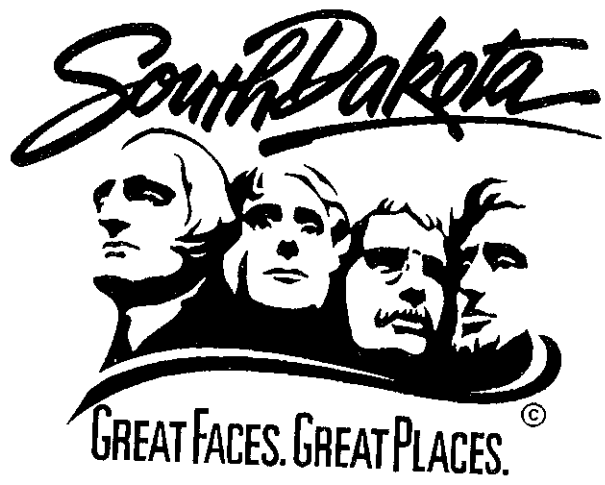


Rural Development Telecommuni- cations Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Investment Council	Other	Total
(334)	\$ (1,749)	\$ (780)	\$ (210)	\$ (115)	\$ 16	\$ 207	\$ (3,361)
306	10	1,978	73		16	357	5,407
	3,901	26		(2)		23	142
						6	3,905
		28				(34)	3
(1)	102	(698)	10		(54)	(28)	(676)
(4)		3	1			(1)	(203)
						(13)	(13)
(5)	7	16			1	6	(270)
						4	(198)
(4)	28	21	37		8	(16)	216
1	1	1	13	1	19	26	124
5	4	(8)	37	2	66	49	246
(5)	1	(72)	7		2	59	191
		(1)				(3)	(4)
		(99)			152	8	(93)
	(602)			1,074			1,005
293	3,452	1,295	178	1,075	210	443	9,580
(41)	1,703	515	(32)	960	226	650	6,199
(147)	(1)	(583)	(106)		(33)	(105)	(4,907)
		271					314
		(255)				(145)	(90)
							(1,216)
							323
(147)	(1)	(567)	(106)	0	(33)	(250)	(5,576)
139		83				35	1,015
		(1)				(2)	(326)
139	0	82	0	0	0	33	689
13	538	(63)	25	139		129	1,997
(1)	(52)			(14)		(16)	(184)
12	486	(63)	25	125	0	113	1,813
(37)	2,188	(33)	(113)	1,085	193	546	3,125
254	8,725	51	388	1,382	416	2,150	31,110
\$ 217	\$ 10,913	\$ 18	\$ 275	\$ 2,467	\$ 609	\$ 2,696	\$ 34,235
		67	21		2	49	136
		60	35			14	748
		2,163				384	2,679
						2	218



## **TRUST AND AGENCY FUNDS**

**“Trust and Agency Funds” are used to account for assets held by a governmental unit in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include: (a) expendable trust funds; (b) nonexpendable trust funds; (c) pension trust funds; (d) investment trust funds; and, (e) agency funds.**



**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
TRUST AND AGENCY FUNDS**

June 30, 1998

(Expressed in Thousands)

<u>Assets</u>	<u>Expendable Trust</u>	<u>Nonexpendable Trust</u>	<u>Pension Trust</u>	<u>Agency</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 53,098	\$ 14,602	\$ 12,440	\$ 88,627	\$ 168,767
Investments	53,091	128,949	4,356,976		4,539,016
Securities Lending Collateral	747	1,190	404,614	14,351	420,902
<del>Accounts Receivable</del>	<del>768</del>	<del>3</del>	<del>79,174</del>	<del>131</del>	<del>80,076</del>
Taxes Receivable (Net)	4,813			81,906	86,719
Interest, Dividends, & Penalties Receivable	3	1,600		7,369	8,972
Loans and Notes Receivable (Net)		668			668
Due From Other Funds	481	623	988	5,953	8,045
<del>Due From Other Governments</del>	<del>42</del>			<del>6,274</del>	<del>6,316</del>
Advances To Other Funds	1,432	585			2,017
Deferred Fiscal Charges and Other Assets	464		27		491
Property, Plant and Equipment (Net)		8,486	115		8,601
<b>Total Assets</b>	<b>\$ 114,939</b>	<b>\$ 156,706</b>	<b>\$ 4,854,334</b>	<b>\$ 204,611</b>	<b>\$ 5,330,590</b>
 <b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 310	\$	\$ 276,516	\$ 1,271	\$ 278,097
Accrued Liabilities	1,445		1,133	1,698	4,276
<del>Compensated Absences Payable</del>			<del>175</del>		<del>175</del>
Due To Other Funds	136	69	42	121,430	121,677
Due To Component Units		163		5,811	5,974
Due To Other Governments	3			54,665	54,668
Escrow Payable				71	71
<del>Amounts Held in Custody for Others</del>				<del>5,314</del>	<del>5,314</del>
Advances From Other Funds	53				53
Policy Claim Liabilities	4,813				4,813
Securities Lending Collateral Liability	747	1,190	404,614	14,351	420,902
<b>Total Liabilities</b>	<b>7,507</b>	<b>1,422</b>	<b>682,480</b>	<b>204,611</b>	<b>896,020</b>
 <b>Fund Equity:</b>					
<b>Fund Balance:</b>					
Reserved	107,432	155,284	4,171,854		4,434,570
<b>Total Fund Equity</b>	<b>107,432</b>	<b>155,284</b>	<b>4,171,854</b>	<b>0</b>	<b>4,434,570</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 114,939</b>	<b>\$ 156,706</b>	<b>\$ 4,854,334</b>	<b>\$ 204,611</b>	<b>\$ 5,330,590</b>

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
EXPENDABLE TRUST FUNDS**

June 30, 1998  
(Expressed in Thousands)

Assets	Unemployment Insurance	Deferred Compensation	Vocational Education Facilities	Second Injury
Cash and Cash Equivalents	\$ 47,427	\$ 139	\$ 1,506	\$ 63
Investments		52,799		
Securities Lending Collateral			247	10
Accounts Receivable	539	81		
Taxes Receivable (Net)				4,813
Interest, Dividends, & Penalties Receivable				
Due From Other Funds	43	9	119	87
Due From Other Governments	42			
Advances To Other Funds				
Deferred Fiscal Charges and Other Assets				
<b>Total Assets</b>	<b>\$ 48,051</b>	<b>\$ 53,028</b>	<b>\$ 1,872</b>	<b>\$ 4,973</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts Payable	\$	\$ 122	\$	\$
Accrued Liabilities				
Due To Other Funds	18		98	1
Due To Other Governments				
Advances From Other Funds				
Policy Claim Liabilities				4,813
Securities Lending Collateral Liability			247	10
<b>Total Liabilities</b>	<b>18</b>	<b>122</b>	<b>345</b>	<b>4,824</b>
Fund Equity:				
Fund Balance:				
Reserved	48,033	52,906	1,527	149
<b>Total Fund Equity</b>	<b>48,033</b>	<b>52,906</b>	<b>1,527</b>	<b>149</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 48,051</b>	<b>\$ 53,028</b>	<b>\$ 1,872</b>	<b>\$ 4,973</b>

Corrections Trust	Childs Own	Unclaimed Property	Other	Total
\$ 579	\$ 119	\$ 131	\$ 3,134	\$ 53,098
			292	53,091
9	19	22	440	747
	148			768
				4,813
			3	3
14	10		199	481
				42
		1,432		1,432
			464	464
<u>\$ 602</u>	<u>\$ 296</u>	<u>\$ 1,585</u>	<u>\$ 4,532</u>	<u>\$ 114,939</u>
\$ 111	\$ 55	\$ 17	\$ 5	\$ 310
		1,437	7	1,445
11		2	7	136
			3	3
			53	53
				4,813
9	19	22	440	747
<u>131</u>	<u>74</u>	<u>1,478</u>	<u>515</u>	<u>7,507</u>
471	222	107	4,017	107,432
471	222	107	4,017	107,432
<u>\$ 602</u>	<u>\$ 296</u>	<u>\$ 1,585</u>	<u>\$ 4,532</u>	<u>\$ 114,939</u>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
EXPENDABLE TRUST FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	<u>Unemployment Insurance</u>	<u>Deferred Compensation</u>	<u>Vocational Education Facilities</u>	<u>Second Injury</u>
Revenue:				
Taxes	\$ 11,871	\$	\$	\$ 3,716
Licenses, Permits and Fees				
Fines, Forfeits and Penalties				
Use of Money and Property	3,443	7,799	114	76
<del>Sales and Services</del>				
Administering Programs		5,033		
Deferred Compensation				
Other Revenue				
Total Revenue	<u>15,314</u>	<u>12,832</u>	<u>114</u>	<u>3,792</u>
Expenditures:				
Education and Research			9	
General Government				
<del>Human Resources</del>	<u>16,205</u>	<u>1,507</u>		
Natural Resources				
Protection of Domain				5,852
Total Expenditures	<u>15,205</u>	<u>1,507</u>	<u>9</u>	<u>5,852</u>
<del>Excess of Revenue Over (Under) Expenditures</del>	<u>109</u>	<u>1,325</u>	<u>105</u>	<u>(2,060)</u>
Other Financing Sources (Uses):				
Operating Transfers In				
Operating Transfers Out	(180)		(75)	
Net Other Financing Sources (Uses)	<u>(180)</u>	<u>0</u>	<u>(75)</u>	<u>0</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(71)</u>	<u>1,325</u>	<u>30</u>	<u>(2,060)</u>
Fund Balance at Beginning of Year, Restated	<u>48,104</u>	<u>41,581</u>	<u>1,497</u>	<u>2,209</u>
Fund Balance at End of Year	<u>\$ 48,033</u>	<u>\$ 52,906</u>	<u>\$ 1,527</u>	<u>\$ 149</u>



Corrections Trust	Childs Own	Unclaimed Property	Other	Total
\$	\$	\$	\$	\$ 15,587
			216	216
			53	53
4	10		277	11,723
			<del>261</del>	<del>261</del>
			152	152
				5,033
2,141	1,006	1,396	888	5,431
<u>2,145</u>	<u>1,016</u>	<u>1,396</u>	<u>1,847</u>	<u>38,456</u>
			2	11
		1,411	333	1,744
<del>2,134</del>	<del>855</del>		<del>1,214</del>	<del>20,915</del>
			9	9
			175	6,027
<u>2,134</u>	<u>855</u>	<u>1,411</u>	<u>1,733</u>	<u>28,706</u>
<del>11</del>	<del>161</del>	<del>(15)</del>	<del>114</del>	<del>9,750</del>
		344	263	607
(1)		(252)	(506)	(1,014)
<u>(1)</u>	<u>0</u>	<u>92</u>	<u>(243)</u>	<u>(407)</u>
<del>10</del>	<del>161</del>	<del>77</del>	<del>(129)</del>	<del>9,343</del>
461	61	30	4,146	98,089
<u>\$ 471</u>	<u>\$ 222</u>	<u>\$ 107</u>	<u>\$ 4,017</u>	<u>\$ 107,432</u>

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONEXPENDABLE TRUST FUNDS**

June 30, 1998

(Expressed in Thousands)

	Youth-at-Risk	School and Public Lands	Other	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 7,249	\$ 7,350	\$ 3	\$ 14,602
Investments		128,949		128,949
Securities Lending Collateral	1,189		1	1,190
Accounts Receivable		3		3
<del>Interest Dividends &amp; Penalties Receivable</del>		<del>1,600</del>		<del>1,600</del>
Loans and Notes Receivable (Net)		668		668
Due From Other Funds	623			623
Advances To Other Funds	585			585
Property, Plant and Equipment		8,486		8,486
<b>Total Assets</b>	<b>\$ 9,646</b>	<b>\$ 147,056</b>	<b>\$ 4</b>	<b>\$ 156,706</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities:</b>				
Due To Other Funds	\$	\$ 69	\$	\$ 69
Due To Component Units		163		163
Securities Lending Collateral Liabilities	1,189		1	1,190
<b>Total Liabilities</b>	<b>1,189</b>	<b>232</b>	<b>1</b>	<b>1,422</b>
<b>Fund Equity:</b>				
Fund Balance:				
Reserved	8,457	146,824	3	155,284
<b>Total Fund Equity</b>	<b>8,457</b>	<b>146,824</b>	<b>3</b>	<b>155,284</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 9,646</b>	<b>\$ 147,056</b>	<b>\$ 4</b>	<b>\$ 156,706</b>

**STATE OF SOUTH DAKOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONEXPENDABLE TRUST FUNDS**

For the Fiscal Year Ended June 30, 1998  
 (Expressed in Thousands)

	<u>Youth-at-Risk</u>	<u>School and Public Lands</u>	<u>Other</u>	<u>Total</u>
Operating Revenue:				
Use of Money and Property	\$ 564	\$ 18,307	\$	\$ 18,871
Total Operating Revenue	<u>564</u>	<u>18,307</u>	<u>0</u>	<u>18,871</u>
Operating Expenses:				
Grants		10,524		10,524
Other	45			45
Total Operating Expenses	<u>45</u>	<u>10,524</u>	<u>0</u>	<u>10,569</u>
Operating Income	<u>519</u>	<u>7,783</u>	<u>0</u>	<u>8,302</u>
Operating Transfers:				
Operating Transfers In		93		93
Operating Transfers Out		(452)		(452)
Operating Transfers To Component Units		(1,684)		(1,684)
Net Operating Transfers	<u>0</u>	<u>(2,043)</u>	<u>0</u>	<u>(2,043)</u>
Net Income	<u>519</u>	<u>5,740</u>		<u>6,259</u>
Fund Balance at Beginning of Year	<u>7,938</u>	<u>141,084</u>	<u>3</u>	<u>149,025</u>
Fund Balance at End of Year	<u>\$ 8,457</u>	<u>\$ 146,824</u>	<u>\$ 3</u>	<u>\$ 155,284</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONEXPENDABLE TRUST FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Youth-at-Risk	School and Public Lands	Other	Totals
Cash Flows from Operating Activities:				
Operating Income/(Loss)	\$ 519	\$ 7,783	\$ 0	\$ 8,302
Adjustments to Reconcile Operating Income to				
Net Cash Provided by Operating Activities:				
Investment Income	(483)	(15,114)		(15,597)
Decrease/(Increase) in Assets:				
Accounts Receivable		(3)		(3)
Interest, Dividends & Penalties Receivable		11		11
Loans and Notes Receivable		426		426
Due From Other Funds	(36)	13		(23)
Increase/(Decrease) in Liabilities:				
Due To Other Funds		69		69
Due To Component Units		121		121
Total Adjustments	(519)	(14,477)	0	(14,996)
Net Cash Provided (Used) by Operating Activities	0	(6,694)	0	(6,694)
Cash Flows From Noncapital Financing Activities:				
Operating Transfers In		93		93
Operating Transfers Out		(452)		(452)
Operating Transfers To Component Units		(1,684)		(1,684)
Net Cash Provided (Used) by Noncapital Financing Activities	0	(2,043)	0	(2,043)
Cash Flows From Investing Activities:				
Investment Income	465	9,984		10,449
Purchase of Investment Securities		(24,029)		(24,029)
Proceeds From Sales and Maturities of				
Investment Securities		25,748		25,748
Security Lending Rebate Fees	(45)			(45)
Net Cash Provided by Investing Activities	420	11,703	0	12,123
Net Increase (Decrease) in Cash and Cash				
Equivalents During the Fiscal Year	420	2,966	0	3,386
Cash and Cash Equivalents at Beginning of Year	6,829	4,384	3	11,216
Cash and Cash Equivalents at End of Year	\$ 7,249	\$ 7,350	\$ 3	\$ 14,602

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF PLAN NET ASSETS**  
**PENSION TRUST FUND**  
**June 30, 1998**  
**(Expressed in Thousands)**

<u>Assets</u>	<u>South Dakota Retirement System</u>
Cash and Cash Equivalents	\$ 12,440
Receivables:	
Employer	2,084
Employee	3,588
Benefits	57
Unsettled Investment Sales	48,658
Investment Income	23,116
Due From Other Funds	988
Due From Brokers - Futures Transactions	1,693
Total Receivables	<u>80,162</u>
Investments, at Fair Value:	
Fixed Income	1,280,733
Equities	2,620,006
Real Estate	410,628
Private Equity	45,609
Total Investments	<u>4,356,976</u>
Securities Lending Collateral	404,614
Properties, at Cost	196
Accumulated Depreciation	(81)
Other Assets	<u>27</u>
Total Assets	<u>4,854,334</u>
<u>Liabilities</u>	
Payables:	
Accrued Liabilities	1,133
Compensated Absences Payable	175
Due To Other Funds	42
Securities Sold, But Not Yet Purchased, at Fair Value	226,225
Unsettled Investment Purchases	50,291
Securities Lending Collateral Liability	404,614
Total Liabilities	<u>682,480</u>
<b>Net Assets Held In Trust For Pension Benefits</b>	<u>\$ 4,171,854</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Balance July 1, 1997 as Restated	Additions	Deductions	Balance June 30, 1998
<b>Department of Revenue - Tax Collections</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 34,487	\$ 852,281	\$ 836,392	\$ 50,376
Securities Lending Collateral	4,155	8,281	4,155	8,281
Accounts Receivable	112	107	112	107
Taxes Receivable (Net)	82,205	81,908	82,205	81,906
Due From Other Funds	10,131	2,630	10,131	2,630
Due From Other Governments	5,634	6,246	5,634	6,246
<b>Total Assets</b>	<b>\$ 136,724</b>	<b>\$ 951,451</b>	<b>\$ 938,629</b>	<b>\$ 149,546</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 14	\$ 36	\$ 41	\$ 9
Accrued Liabilities	1,439	2,548	2,344	1,643
Due To Other Funds	80,809	708,127	703,362	85,074
Due To Other Governments	48,621	229,859	227,779	50,701
Amounts Held in Custody for Others	2,186	2,876	1,224	3,838
Securities Lending Collateral Liability	4,155	8,281	4,155	8,281
<b>Total Liabilities</b>	<b>\$ 136,724</b>	<b>\$ 951,727</b>	<b>\$ 938,905</b>	<b>\$ 149,546</b>
<b>Investment Council - Pooled Interest Fund</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 28,962	\$ 31,533	\$ 28,962	\$ 31,533
Securities Lending Collateral	2,849	5,192	2,849	5,192
Interest, Dividends & Penalties Receivable	5,639	7,369	5,639	7,369
Due From Other Funds	441	421	441	421
<b>Total Assets</b>	<b>\$ 37,891</b>	<b>\$ 44,515</b>	<b>\$ 37,891</b>	<b>\$ 44,515</b>
<b>Liabilities:</b>				
Due To Other Funds	\$ 30,379	\$ 33,512	\$ 30,379	\$ 33,512
Due To Component Units	4,663	5,811	4,663	5,811
Securities Lending Collateral Liability	2,849	5,192	2,849	5,192
<b>Total Liabilities</b>	<b>\$ 37,891</b>	<b>\$ 44,515</b>	<b>\$ 37,891</b>	<b>\$ 44,515</b>
<b>State Auditor - Payroll Withholding</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 58	\$ 101,297	\$ 98,617	\$ 2,738
Securities Lending Collateral	6	451	6	451
<b>Total Assets</b>	<b>\$ 64</b>	<b>\$ 101,748</b>	<b>\$ 98,623</b>	<b>\$ 3,189</b>
<b>Liabilities:</b>				
Due To Other Governments	\$ 58	\$ 101,297	\$ 98,617	\$ 2,738
Securities Lending Collateral Liability	6	451	6	451
<b>Total Liabilities</b>	<b>\$ 64</b>	<b>\$ 101,748</b>	<b>\$ 98,623</b>	<b>\$ 3,189</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES**  
**IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS (Continued)**  
For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

Other Agency Funds	Balance July 1, 1997 as Restated	Additions	Deductions	Balance June 30, 1998
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 3,852	\$ 110,147	\$ 110,019	\$ 3,980
Securities Lending Collateral	264	427	264	427
Accounts Receivable	22	24	22	24
Due From Other Funds	2,668	2,902	2,668	2,902
Due From Other Governments	75	64	111	28
<b>Total Assets</b>	<b>\$ 6,881</b>	<b>\$ 113,564</b>	<b>\$ 113,084</b>	<b>\$ 7,361</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 1,004	\$ 5,493	\$ 5,235	\$ 1,262
Accrued Liabilities	194	100	239	55
<b>Due To Other Funds</b>	<b>3,243</b>	<b>20,715</b>	<b>21,114</b>	<b>2,844</b>
Due To Component Units	11		11	0
Due To Other Governments	1,036	1,590	1,400	1,226
Escrow Payable	0	2,284	2,213	71
Amounts Held in Custody for Others	1,129	83,869	83,522	1,476
Securities Lending Collateral Liability	264	427	264	427
<b>Total Liabilities</b>	<b>\$ 6,881</b>	<b>\$ 114,478</b>	<b>\$ 113,998</b>	<b>\$ 7,361</b>
<b>Total All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 67,359	\$ 1,095,258	\$ 1,073,990	\$ 88,627
Securities Lending Collateral	7,274	14,351	7,274	14,351
Accounts Receivable	134	131	134	131
Taxes Receivable (Net)	82,205	81,906	82,205	81,906
<b>Interest, Dividends &amp; Penalties Receivable</b>	<b>5,639</b>	<b>7,369</b>	<b>5,639</b>	<b>7,369</b>
Due From Other Funds	13,240	5,953	13,240	5,953
Due From Other Governments	5,709	6,310	5,745	6,274
<b>Total Assets</b>	<b>\$ 181,560</b>	<b>\$ 1,211,278</b>	<b>\$ 1,188,227</b>	<b>\$ 204,611</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 1,018	\$ 5,529	\$ 5,276	\$ 1,271
Accrued Liabilities	1,633	2,648	2,583	1,698
Due To Other Funds	113,931	762,354	754,855	121,430
<b>Due To Component Units</b>	<b>4,874</b>	<b>5,811</b>	<b>4,674</b>	<b>5,811</b>
Due To Other Governments	49,715	332,746	327,796	54,665
Escrow Payable		2,284	2,213	71
Amounts Held in Custody for Others	3,315	86,745	84,746	5,314
Securities Lending Collateral Liability	7,274	14,351	7,274	14,351
<b>Total Liabilities</b>	<b>\$ 181,560</b>	<b>\$ 1,212,468</b>	<b>\$ 1,189,417</b>	<b>\$ 204,611</b>





## **COMPONENT UNITS**

**“Component Units” are legally separate organizations for which the elected officials of the primary government are financially accountable, and exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.**

# STATE OF SOUTH DAKOTA COMBINING BALANCE SHEET COMPONENT UNITS

June 30, 1998

(Expressed in Thousands)

Assets	Special Revenue	Enterprise			
	Housing Authority	Housing Authority	Finance Authority	Cement Plant	CREP Program
Cash and Cash Equivalents	\$ 1,532	\$ 133,846	\$ 3,390	\$ 48,594	\$ 3,739
Investments		557,994	3,227		
Securities Lending Collateral				1,365	
Accounts Receivable				3,322	33
Interest, Dividends & Penalties Receivable		11,547	195		364
Loans and Notes Receivable (Net)	14,118	823,582	29,400		9,683
Due From Primary Government					
Due From Component Units		31		230	
Due From Other Governments	59				
Inventory		1,048		11,254	
Restricted Cash			494		
Restricted Investments			8,162		
Deferred Fiscal Charges and Other Assets		16,689	2,350	107	251
Property, Plant and Equipment (Net)		878		51,858	
<b>Total Assets</b>	<b>\$ 15,709</b>	<b>\$ 1,545,615</b>	<b>\$ 47,218</b>	<b>\$ 116,730</b>	<b>\$ 14,070</b>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities:</b>					
Accounts Payable	\$	\$ 522	\$ 9	\$ 2,202	\$
Accrued Liabilities		12,034	432	1,016	214
Compensated Absences Payable		65		999	
Due To Primary Government		65	2,804		
Due To Component Units	31			2	
Due To Other Governments	1,405		2,174		
Deferred Revenue					56
Escrow Payable		23,659	1,291		
Amounts Held in Custody for Others					
Securities Lending Collateral Liability				1,365	
Bonds and Notes Payable (Net)		1,305,163	28,219		12,877
Certificates of Participation Payable					
Trust Certificates Payable					
Capital Lease Obligations				147	
Other Liabilities			493		
<b>Total Liabilities</b>	<b>1,436</b>	<b>1,341,528</b>	<b>35,422</b>	<b>5,731</b>	<b>13,147</b>
<b>Fund Equity:</b>					
Contributions			3,000		
Investment in Fixed Assets					
Retained Earnings:					
Reserved		204,087	5,742	15,185	
Unreserved			3,054	95,614	923
Fund Balance:					
Reserved	14,273				
Unreserved:					
Undesignated					
<b>Total Fund Equity</b>	<b>14,273</b>	<b>204,087</b>	<b>11,796</b>	<b>110,999</b>	<b>923</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 15,709</b>	<b>\$ 1,545,615</b>	<b>\$ 47,218</b>	<b>\$ 116,730</b>	<b>\$ 14,070</b>

Enterprise State Fair	Pension Trust		Higher Education	Total
	Cement Plant	Perpetuity Fund		
\$ 443	\$ 6,587	\$ 273	\$ 62,662	\$ 261,066
	19,989	2,129	105	583,444
	1,224		9,446	12,035
27	4		3,676	7,062
	107	39	93	12,345
			29,522	906,305
1			3,126	3,127
	2		2,772	3,035
			3,581	3,640
			5,772	18,074
				494
				8,162
1			2,419	21,817
3,402			436,151	492,289
<u>\$ 3,874</u>	<u>\$ 27,913</u>	<u>\$ 2,441</u>	<u>\$ 559,325</u>	<u>\$ 2,332,895</u>
\$ 51	\$ 11	\$	\$ 4,538	\$ 7,333
			3,490	17,186
26			22,291	23,401
			671	3,540
	230		2,772	3,035
				3,579
407			1,857	2,320
				24,950
			679	679
	1,224		9,446	12,035
			59,550	1,405,809
			252	252
			11,118	11,118
			410	557
			45	538
484	1,465	0	117,119	1,516,332
2,873				5,873
			374,394	374,394
				225,014
517				100,308
	26,448	2,441	30,171	73,333
			37,641	37,641
3,390	26,448	2,441	442,206	816,563
<u>\$ 3,874</u>	<u>\$ 27,913</u>	<u>\$ 2,441</u>	<u>\$ 559,325</u>	<u>\$ 2,332,895</u>



**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**COMPONENT UNIT ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Housing Authority	Finance Authority	Cement Plant	CREP Program	State Fair	Total
Operating Revenue:						
Licenses, Permits and Fees	\$ 3,439	\$	\$	\$	\$	\$ 3,439
<del>Use of Money and Property</del>	<del>100,077</del>	<del>2,636</del>		<del>840</del>		<del>103,553</del>
Sales and Services	2,091		58,618		1,767	62,476
Total Operating Revenue:	<u>105,607</u>	<u>2,636</u>	<u>58,618</u>	<u>840</u>	<u>1,767</u>	<u>169,468</u>
Operating Expenses:						
Personal Services and Benefits	1,047		10,661		532	12,240
Travel	59		199		21	279
<del>Contractual Services</del>	<del>4,227</del>	<del>48</del>	<del>11,143</del>	<del>276</del>	<del>805</del>	<del>16,499</del>
Supplies and Materials	40		11,576		198	11,814
Grants	2,147	1,000			130	3,277
Other	34		32			66
<del>Interest</del>	<del>75,089</del>	<del>1,632</del>		<del>668</del>	<del>14</del>	<del>77,403</del>
Bad Debts	21	128				149
Depreciation/Amortization	1,747		3,620	66	185	5,618
Total Operating Expenses	<u>84,411</u>	<u>2,808</u>	<u>37,231</u>	<u>1,010</u>	<u>1,885</u>	<u>127,345</u>
Operating Income (Loss)	<u>21,196</u>	<u>(172)</u>	<u>21,387</u>	<u>(170)</u>	<u>(118)</u>	<u>42,123</u>
Nonoperating Revenue (Expenses):						
Loss on Disposal of Assets	(3)		(59)			(62)
<del>Interest Income</del>			<del>2,541</del>		<del>14</del>	<del>2,555</del>
Grant and Other Income		4	166		45	215
Loss on Extinguishment of Debt	(824)					(824)
Total Nonoperating Revenue (Expenses)	<u>(827)</u>	<u>4</u>	<u>2,648</u>	<u>0</u>	<u>59</u>	<u>1,884</u>
Net Income (Loss) Before Operating Transfers	20,369	(168)	24,035	(170)	(59)	44,007
Operating Transfers:						
Operating Transfers From Primary Government					127	127
Operating Transfers To Primary Government			(12,000)			(12,000)
Net Operating Transfers	<u>0</u>	<u>0</u>	<u>(12,000)</u>	<u>0</u>	<u>127</u>	<u>(11,873)</u>
Net Income (Loss)	20,369	(168)	12,035	(170)	68	32,134
Retained Earnings At Beginning of Year, restated	<u>183,718</u>	<u>8,964</u>	<u>98,964</u>	<u>1,093</u>	<u>449</u>	<u>293,188</u>
Retained Earnings at End of Year	<u>\$ 204,087</u>	<u>\$ 8,796</u>	<u>\$ 110,999</u>	<u>\$ 923</u>	<u>\$ 517</u>	<u>\$ 325,322</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**COMPONENT UNIT ENTERPRISE FUNDS**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	Housing Authority	Finance Authority	Cement Plant	CREP Program	State Fair	Totals
Cash Flows from Operating Activities:						
Operating Income/(Loss) Before Transfers	\$ 21,196	\$ (172)	\$ 21,387	\$ (170)	\$ (118)	\$ 42,123
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation/Amortization Expense	1,747		3,620	66	185	5,618
Bad Debt Expense	21	128				149
Investment Income	(44,323)	(979)		(139)		(45,441)
Interest Expense	75,089	1,632		668		77,389
Miscellaneous Nonoperating Items		4	166		17	187
Decrease/(Increase) in Assets:						
Accounts Receivable			317	(33)	(8)	276
Interest, Dividends & Penalties Receivable	(492)	(1)		228		(265)
Loans and Notes Receivable	(114,155)	(4,571)		(1,153)		(119,879)
Due From Component Units	16		(8)			8
Due From Other Governments	107					107
Inventory	(1,047)		(88)			(1,135)
Deferred Fiscal Charges and Other Assets			(1)	(169)		(170)
Increase/(Decrease) in Liabilities:						
Accounts Payable	496	9	(1,916)		(3)	(1,414)
Accrued Liabilities			264	17		281
Compensated Absences Payable	9		(83)		(5)	(79)
Due To Primary Government	65					65
Due To Component Units			2			2
Deferred Revenue				(29)	(74)	(103)
Escrow Payable	560	(13)				547
Other Liabilities		(2,969)				(2,969)
Total Adjustments	(81,907)	(6,760)	2,273	(544)	112	(86,826)
Net Cash Provided (Used) by Operating Activities	(60,711)	(6,932)	23,660	(714)	(6)	(44,703)
Cash Flows From Capital and Related Financial Activities:						
Purchases of Capital Assets	(572)		(6,616)		(118)	(7,306)
Sales of Capital Assets			7		27	34
Payments on Capital Lease Obligations			(37)			(37)
Operating Transfers From Primary Government					127	127
Net Cash Provided (Used) by Capital and Related Financial Activities	(572)	0	(6,646)	0	36	(7,182)

Continued on next page

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**COMPONENT UNIT ENTERPRISE FUNDS (Continued)**

For the Fiscal Year Ended June 30, 1998  
(Expressed in Thousands)

	<u>Housing Authority</u>	<u>Finance Authority</u>	<u>Cement Plant</u>	<u>CREP Program</u>	<u>State Fair</u>	<u>Totals</u>
Cash Flows From Noncapital Financing Activities:						
Operating Transfers To Primary Government			(12,000)			(12,000)
Issuance of Bonds	482,015	6,000		8,000		496,015
<b>Issuance of Notes and Loans</b>		<b>295</b>				<b>295</b>
Payments on Bonds and Notes	(257,030)	(996)		(4,459)		(262,485)
Payments on Loans		(239)				(239)
Bond Issuance Costs	(3,210)					(3,210)
Interest Payments on Bonds and Notes	(74,250)	(1,622)		(609)		(76,481)
Net Cash Provided(Used) Noncapital Financing Activities	<u>147,525</u>	<u>3,438</u>	<u>(12,000)</u>	<u>2,932</u>	<u>0</u>	<u>141,895</u>
Cash Flows From Investing Activities:						
Investment Income	39,670	660	2,541	125	14	43,010
Purchase of Investment Securities	(834,404)	(8,991)				(843,395)
Proceeds From Sales and Maturities of Investment Securities	722,296	10,939				733,235
Net Cash Provided by Investing Activities	<u>(72,438)</u>	<u>2,608</u>	<u>2,541</u>	<u>125</u>	<u>14</u>	<u>(67,150)</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	13,804	(886)	7,555	2,343	44	22,860
Cash and Cash Equivalents at Beginning of Year, Restated	<u>120,042</u>	<u>4,770</u>	<u>41,039</u>	<u>1,396</u>	<u>399</u>	<u>167,646</u>
Cash and Cash Equivalents at End of Year	<u>\$ 133,846</u>	<u>\$ 3,884</u>	<u>\$ 48,594</u>	<u>\$ 3,739</u>	<u>\$ 443</u>	<u>\$ 190,506</u>
Noncash Investing, Capital and Financing Activities:						
<b>Loss/(Gain) on Disposal of Fixed Assets</b>	<b>3</b>		<b>59</b>			<b>62</b>
Donation of Fixed Assets					11	11
Capital Lease Obligations Entered Into			66			66
Capitalized Interest on Capital Accumulator Bonds	138					138
Extinguishment of Debt	824					824





## **UNIVERSITY FUNDS**

***“University Funds” are used to account for the complete financial position of the six state-owned universities.***

**STATE OF SOUTH DAKOTA  
HIGHER EDUCATION  
COMBINING BALANCE SHEET**

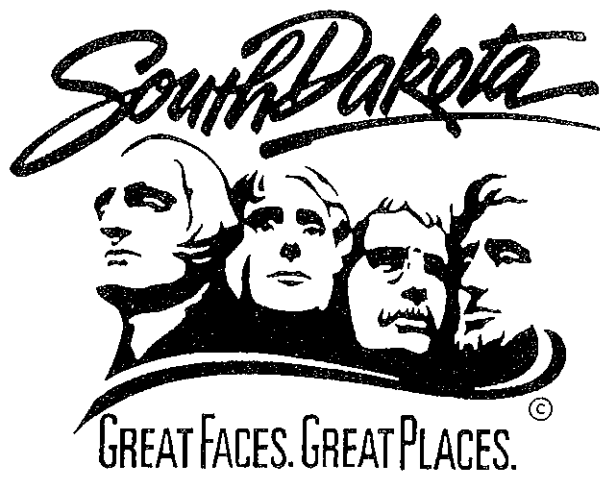
June 30, 1998

(Expressed in Thousands)

Assets	Current Funds		Loan Funds
	Unrestricted	Restricted	
Cash and Cash Equivalents	\$ 37,344	\$ 1,337	\$ 1,312
Investments	105		
Securities Lending Collateral	6,456	9	
Accounts Receivable	1,409	2,262	
Interest, Dividends & Penalties Receivable			93
Loans and Notes Receivable (Net)			29,522
Due From Primary Government	1,632	182	
Due From Component Units	2,449		11
Due From Other Governments		3,581	
Inventory	5,772		
Deferred Fiscal Charges and Other Assets	1,154		
Property, Plant and Equipment (Net)			
<b>Total Assets</b>	<b>\$ 56,321</b>	<b>\$ 7,371</b>	<b>\$ 30,938</b>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 3,882	\$ 467	\$ 1
Accrued Liabilities	1,813	473	
Compensated Absences Payable	20,911	1,380	
Due To Primary Government	535	122	
Due To Component Units	292	2,262	122
Deferred Revenue	1,840		
Amounts Held in Custody for Others	260		
Securities Lending Collateral Liability	6,456	9	
Bonds and Notes Payable (Net)			
Certificates of Participation Payable			
Trust Certificates Payable			
Capital Lease Obligations			
Other Liabilities			
<b>Total Liabilities</b>	<b>35,989</b>	<b>4,713</b>	<b>123</b>
<b>Fund Equity:</b>			
Investment in Fixed Assets			
Fund Balance:			
Reserved:	3,359	759	25,809
Unreserved:			
Undesignated	16,973	1,899	5,006
<b>Total Fund Equity</b>	<b>20,332</b>	<b>2,658</b>	<b>30,815</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 56,321</b>	<b>\$ 7,371</b>	<b>\$ 30,938</b>

**Plant Funds**

<u>Unexpended Plant Funds</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>	<u>Agency</u>	<u>Total</u>
\$ 6,826	\$ 11,538	\$ 3,869	\$	\$ 436	\$ 62,662
1	1,646	502	832		105
				5	9,446
					3,676
					93
480	613	219			29,522
	312				3,126
					2,772
					3,561
46		1,219			5,772
			436,151		2,419
					436,151
<u>\$ 7,353</u>	<u>\$ 14,109</u>	<u>\$ 5,809</u>	<u>\$ 436,983</u>	<u>\$ 441</u>	<u>\$ 559,325</u>
\$ 14	\$ 159	\$	\$	\$ 15	\$ 4,538
818		381		5	3,490
					22,291
	13			1	671
	95			1	2,772
		17			1,857
				419	679
1	1,646	502	832		9,446
5,003		4,615	49,932		59,550
			252		252
			11,118		11,118
			410		410
			45		45
<u>5,836</u>	<u>1,913</u>	<u>5,515</u>	<u>62,589</u>	<u>441</u>	<u>117,119</u>
			374,394		374,394
10	234				30,171
1,507	11,962	294			37,641
1,517	12,196	294	374,394	0	442,206
<u>\$ 7,353</u>	<u>\$ 14,109</u>	<u>\$ 5,809</u>	<u>\$ 436,983</u>	<u>\$ 441</u>	<u>\$ 559,325</u>



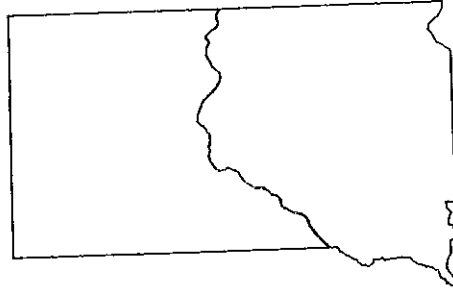


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# ***STATISTICAL SECTION***

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# **SOUTH DAKOTA - MISCELLANEOUS**



**STATE CAPITOL: PIERRE**

**ADMITTED TO THE UNION: 1889**

**NICKNAME: THE MOUNT RUSHMORE STATE**

**MOTTO: UNDER GOD THE PEOPLE RULE**

**POPULATION ESTIMATE 1997: 737,973**

**RANKS 16<sup>TH</sup> IN AREA AT 75,953 SQUARE MILES -- 1,092 SQUARE MILES OF INLAND WATER**

**POPULATION PER SQUARE MILE: 9.7**

**DIVIDED INTO 66 COUNTIES**

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

**LOWEST ELEVATION POINT: 961 FEET**

**HIGHEST ELEVATION POINT: 7,242 FEET**

**STATE TREE: BLACK HILLS SPRUCE**

**STATE FLOWER: AMERICAN PASQUE**

**STATE ANIMAL: COYOTE**

**STATE BIRD: CHINESE RING-NECKED PHEASANT**

**STATE FISH: WALLEYE**

**STATE INSECT: HONEY BEE (APIS MELLIFERAL)**

**STATE GEM STONE: FAIRBURN AGATE**

**STATE MINERAL: ROSE QUARTZ**

# SOUTH DAKOTA

SQUARE MILES OF LAND	75,953
MILES OF HIGHWAY	83,376
STATE PARKS	*12
NATIONAL PARKS	5
STATE UNIVERSITIES	6
PRIVATE COLLEGES AND UNIVERSITIES	14
SPECIAL SCHOOLS	2
VOCATIONAL/TECHNICAL SCHOOLS	4

**SOURCES:** 1990 Census of Population and 1997 Population Estimates, U.S. Bureau of the Census.

*Highway Mileage*, S.D. Department of Transportation.

*South Dakota in Maps*, Henry T. Quinn Center for Economic Education, Spring, 1985, University of South Dakota, Vermillion, South Dakota.

Sioux Falls Airport, Rapid City Regional Airport.

\* Lake Hidden Wood changed from a State Park to a State Recreational Area.

## CLIMATE

South Dakota is a four-season state, with the weather as diverse as the terrain. Throughout the summer and early fall months, the state enjoys a warm, dry climate, with cool summer evenings. The winter climate is ideal for snow activities, with ample snowfall and cool temperatures.

Average January temperature: 10° Fahrenheit in the northeast to 25° Fahrenheit in the southwest.

Average July temperature: 69° Fahrenheit in the Black Hills to 79° Fahrenheit in the south-central part of the state.

Average annual precipitation is 15.75 inches.

## HIGHWAYS

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

## TWO TIME ZONES

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

## AIRLINES

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

## GENERAL CENSUS INFORMATION

<b>AGE GROUPS (1997)</b>		
0- 4	49,446	6.70 %
5-14	110,192	14.90 %
15-17	37,700	5.10 %
18-24	76,470	10.40 %
25-34	93,292	12.60 %
35-44	116,946	15.80 %
45-64	148,729	20.20 %
65- >	105,198	14.30 %
18- >	540,635	73.30 %

<b>RACIAL DISTRIBUTION (1997)</b>		
WHITE	670,128	90.81 %
AMERICAN INDIAN	58,218	7.89 %
OTHER	9,627	1.30 %
<b>TOTAL</b>	<b>737,973</b>	<b>100.00 %</b>

<b>POPULATION DISTRIBUTION (1996)</b>		
URBAN (25,000 + )	197,332	26.75%
TOWNS (2,500 - 25,000)	161,153	21.85%
RURAL (< 2,500)	379,076	51.40%
<b>TOTAL</b>	<b>737,561</b>	<b>100.00%</b>

**NOTE:** Released in odd-numbered years. Next release will be in 1999 for county subdivisions. Above charts compiled by the State Data Center, USD Business Research Bureau.

### LARGEST CITIES IN 1996

SIOUX FALLS . . . . .	113,223	VERMILLION . . . . .	10,521
RAPID CITY . . . . .	57,642	ELLSWORTH AFB * . . . .	7,017
ABERDEEN . . . . .	25,088	SPEARFISH . . . . .	8,340
WATERTOWN . . . . .	19,619	MADISON . . . . .	6,223
BROOKINGS . . . . .	17,413	RAPID VALLEY * . . . .	5,968
MITCHELL . . . . .	14,191	STURGIS . . . . .	4,964
YANKTON . . . . .	13,969	BELLE FOURCHE . . . .	4,931
PIERRE . . . . .	13,422	BRANDON . . . . .	4,611
HURON . . . . .	12,428	HOT SPRINGS . . . . .	4,112

\* Census Designated Places; population data are 1990 figures.

**SOURCES:** U.S. Bureau of the Census, Population Estimates Program. Compiled by the State Data Center, USD Business Research Bureau.



## HISTORICAL CENSUS COUNTS FOR SOUTH DAKOTA

YEAR	POPULATION
1990	696,004
1980	690,768
1970	666,257
1960	680,514
1950	652,740
1940	642,961
1930	692,849
1920	636,547
1910	583,888
1900	401,570

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

## LARGEST TEN EMPLOYERS IN SOUTH DAKOTA

BUSINESS	EMPLOYEES
Gateway 2000 (North Sioux City & Sioux Falls)	6,900
Sioux Valley Hospital (Sioux Falls)	3,415
Citibank South Dakota NA (Sioux Falls)	3,200
John Morrell & Company (Sioux Falls)	3,050
McKenna Hospital (Sioux Falls)	2,344
Rapid City Regional Hospital (Rapid City)	1,900
Hutchinson Technology (Sioux Falls)	1,550
Midwest Coast Transport (Sioux Falls)	* 1,390
Hy-Vee Food Stores (Sioux Falls, Vermillion)	1,285
3M (Aberdeen, Brookings)	1,241

SOURCES: Governor's Office of Economic Development, 1996 Survey of Local Development Corporations.

NOTE: Excludes federal, state, and local governments.

\* Includes truckers that own their own trucks and are leased to Midwest Coast Transport. The actual number of employees is 152.

## PUBLIC SCHOOL STATISTICS

<b>SCHOOL YEAR ENDED</b>	<b>SCHOOLS</b>	<b>FALL ENROLLMENT</b>	<b>TEACHERS</b>	<b>PUPIL/TEACHER RATIO</b>
1998	767	132,780	9,269	14.3
1997	766	133,949	9,255	14.5
1996	774	134,972	9,019	15.0
1995	774	134,290	9,234	14.5
1994	771	134,676	9,153	14.7
1993	764	132,970	9,016	14.7
1992	785	131,045	8,832	14.8
1991	786	128,617	8,365	15.4
1990	786	127,115	8,191	15.5
1989	779	126,534	8,235	15.4

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

<b>EXPENDITURES ON EDUCATION PER PUPIL IN DAILY ATTENDANCE</b>				<b>PERCENT REVENUE FROM STATE GOVERNMENT</b>		
<b>SCHOOL YEAR</b>	<b>UNITED STATES</b>	<b>SOUTH DAKOTA</b>	<b>SOUTH DAKOTA RANK</b>	<b>UNITED STATES</b>	<b>SOUTH DAKOTA</b>	<b>SOUTH DAKOTA RANK</b>
1997	6,360	4,990	45	47.9	26.1	49
1996	6,103	5,070	40	47.9	26.1	49
1995	5,894	4,918	41	46.0	27.3	49
1994	5,726	4,733	39	46.3	28.7	49
1993	5,616	4,524	41	46.8	26.1	49
1992	5,466	4,175	43	47.5	27.0	49
1991	5,241	3,967	44	48.2	27.5	48
1990	4,975	3,732	42	48.3	25.4	48
1989	4,607	3,756	41	48.5	25.7	48
1988	4,279	3,561	42	49.3	26.2	48

SOURCES: South Dakota Department of Education and Cultural Affairs, National Education Association's "Ranking of the States," and the National Center for Education Statistics' "Digest of Education Statistics."

## ELEMENTARY AND SECONDARY EDUCATION

YEAR	K-12 SCHOOL ADM (FISCAL YEAR)	COST PER PUPIL * (ADM)
1998	132,024	\$4,621
1997	133,251	4,359
1996	134,054	4,240
1995	133,795	4,224
1994	133,306	4,045
1993	132,408	3,843
1992	129,910	3,654
1991	127,147	3,473
1990	125,303	3,272
1989	124,837	3,167
<i>ADM = Average Daily Membership</i>		

**SOURCE:** *Education in South Dakota: A Statistical Profile, DECA 1997-98.*

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

Compiled by the State Data Center, USD Business Research Bureau.

## 1997 CIVILIAN LABOR FORCE

	LABOR FORCE	EMPLOYED	UNEMPLOYED	UNEMPLOYMENT RATE	SD NON- INSTITU. POP. 16 +	PARTICIPATION RATE
Males	205,000	199,000	6,000	2.9%	264,000	77.6%
Females	187,000	181,000	6,000	3.3%	286,000	65.4%
TOTAL	393,000	381,000	12,000	3.1%	550,000	71.5%

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

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

## STATE UNIVERSITIES HISTORICAL FALL HEADCOUNT ENROLLMENTS

<b>YEAR</b>	<b>BHSU</b>	<b>DSU</b>	<b>NSU</b>	<b>SDSMT</b>	<b>SDSU</b>	<b>USD</b>	<b>SYSTEM TOTALS</b>	<b>CHANGE FALL TO FALL</b>
1998	3,639	1,831	2,873	2,265	8,635	7,317	26,560	3.27%
1997	3,445	1,409	2,623	2,260	8,818	7,164	25,719	-2.98%
1996	3,549	1,274	2,832	2,245	9,067	7,541	26,508	-3.36%
1995	3,623	1,360	2,724	2,372	9,323	8,027	27,429	-5.00%
1994	3,915	1,439	3,077	2,472	9,650	8,319	28,872	-0.08%
1993	3,952	1,585	3,036	2,497	9,535	8,289	28,894	0.87%
1992	4,002	1,504	2,905	2,459	9,554	8,220	28,644	

**SOURCE:** South Dakota Board of Regents.

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

## POSTSECONDARY VOCATIONAL TECHNICAL INSTITUTES

<b>INSTITUTE</b>	<b>1997 ENROLLMENT</b>	<b>1998 ENROLLMENT</b>
Lake Area Vocational Technical Institute	1,326	1,170
Mitchell Vocational Technical Institute	723	840
Southeast Vocational Technical Institute	2,715	2,203
Western Dakota Vocational Technical Institute	951	996
Springfield State Prison *	284	308

**SOURCE:** Office of Workforce and Career Preparation, Department of Education and Cultural Affairs, and Springfield State Prison.

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

\* January-December

## 1997 SOURCES OF INCOME PERCENT OF TOTAL

SOURCE	SOUTH DAKOTA	UNITED STATES
Labor Compensation *	50.00%	58.30%
Proprietor's Income	15.20%	8.10%
<i>Nonfarm</i>	<i>10.10%</i>	<i>7.60%</i>
<i>Farm</i>	<i>5.10%</i>	<i>0.40%</i>
Transfer Payment	17.10%	16.40%
Dividend, Interest, and Rent	17.70%	17.20%

SOURCE: U.S. Department of Commerce, September 1998. Compiled by the State Data Center, USD Business Research Bureau.

\* Net Earnings by Place of Residence, less Proprietor's Income.

## PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
1997	\$25,298	4.70%	\$24,100	4.40%	\$21,183	3.30%
1996	24,169	4.80%	23,083	6.40%	20,503	9.20%
1995	23,063	4.60%	21,686	3.90%	18,782	1.20%
1994	22,056	3.90%	20,876	5.40%	18,558	5.50%
1993	21,220	3.30%	19,810	2.20%	17,598	3.20%
1992	20,546	4.70%	19,391	5.70%	17,051	6.50%
1991	19,624	2.40%	18,340	3.00%	16,011	3.40%
1990	19,156	5.50%	17,807	5.60%	15,488	10.30%
1989	18,153	6.50%	16,863	6.90%	14,038	6.50%
1988	17,038	6.90%	15,776	4.10%	13,183	3.90%

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

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

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

## POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
1998	270,299	0.95%	18,695	0.58%	738	0.00%
1997	267,744	0.96%	18,587	0.59%	738	0.14%
1996	265,190	0.92%	18,478	0.59%	737	0.27%
1995	262,765	0.95%	18,369	0.73%	735	0.82%
1994	260,289	0.99%	18,235	0.79%	729	0.83%
1993	257,746	1.08%	18,092	0.83%	723	1.12%
1992	254,995	1.14%	17,943	0.79%	715	0.99%
1991	252,127	1.08%	17,803	0.65%	708	1.58%
1990	249,439	1.06%	17,688	0.53%	697	0.00%
1989	246,819	0.95%	17,595	0.35%	697	-0.14%

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

**NOTE:** Midyear (July 1) population estimates of the U.S. Bureau of the Census released December 1998. These estimates incorporate revisions of estimates from previous years. Compiled by the State Data Center, USD Business Research Bureau.

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

## TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
1997	6,770,709	5.60%	447,560	5.00%	15,632	3.40%
1996	6,408,990	5.80%	426,307	7.10%	15,122	9.60%
1995	6,060,138	5.60%	398,029	4.60%	13,803	1.90%
1994	5,741,050	5.00%	380,442	6.20%	13,541	6.50%
1993	5,469,485	4.40%	358,347	3.00%	12,717	4.30%
1992	5,239,364	5.90%	347,907	6.60%	12,195	7.60%
1991	4,947,591	3.50%	326,485	3.70%	11,335	5.10%
1990	4,778,306	6.60%	314,980	6.20%	10,789	10.30%
1989	4,480,624	7.60%	296,703	7.30%	9,780	6.30%
1988	4,165,890	7.80%	276,602	4.70%	9,204	4.30%

**SOURCE:** U.S. Department of Commerce, September 1998. Compiled by the State Data Center, USD Business Research Bureau.

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

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

## PROPERTY TAX INFORMATION

	1998	1997	1996	1995	1994	1993	1992
Property Taxes *	\$ .58	\$ .55	\$ .51	\$ .58	\$ .55	\$ .51	\$ .46
Assessed Value *	28.60	26.30	24.70	23.80	22.20	20.70	17.70
Property Taxes Per \$100 of Assessed Value	2.03	2.09	2.06	2.44	2.48	2.46	2.60
* Billions of Dollars							

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

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

	1997		1996		1995		1994		1993	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank
<b>PER CAPITA (CURRENT DOLLARS)</b>										
U.S.	1,660	-	1,581	-	1,619	-	1,436	-	1,374	-
South Dakota	1,041	49	998	49	944	49	904	49	815	50
Iowa	1,643	20	1,557	20	1,550	18	1,460	19	1,384	15
Minnesota	2,395	4	2,159	5	2,025	5	1,894	5	1,799	4
Montana	1,433	40	1,429	32	1,398	28	1,358	13	1,345	13
Nebraska	1,538	28	1,434	31	1,357	35	1,321	31	1,229	34
North Dakota	1,660	19	1,530	23	1,495	22	1,383	14	1,313	11
Wyoming	1,381	43	1,301	43	1,393	29	1,557	12	1,410	21
<b>PER \$1,000 PERSONAL INCOME</b>										
U.S.	66	-	65	-	66	-	65	-	65	-
South Dakota	49	49	48	49	50	48	49	49	46	49
Iowa	71	21	71	22	76	16	73	19	75	15
Minnesota	91	4	86	5	85	7	83	6	84	4
Montana	73	19	76	14	76	14	77	13	77	13
Nebraska	65	30	63	33	64	33	65	32	62	34
North Dakota	82	9	75	15	82	8	76	14	81	8
Wyoming	61	37	61	37	67	29	78	12	72	20

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

NOTE: 1993 - 1996 Data has been revised. Total tax collections used in the calculation of taxes per capita are for the fiscal year ending in year shown.

## UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
* 1998	2.6%	4.5%
1997	3.1%	5.0%
1996	3.2%	5.4%
1995	2.9%	5.6%
1994	3.3%	6.1%
1993	3.6%	6.9%
1992	3.2%	7.5%
1991	3.6%	6.9%
1990	3.9%	5.6%
1989	4.2%	5.3%

**NOTE:** Civilian Labor Force. Data, beginning in 1994, are not directly comparable with data for 1993 and earlier years because of the introduction of a major redesign of the Current Population Survey questionnaire and collection methodology and the introduction of 1990 census-based population controls, adjusted for the estimated undercount. Compiled by the State Data Center, USD Business Research Bureau.

\* 1998 Data is based on 11-month average.

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

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Mining	1.8	2.2	2.3	2.3	2.4	2.5	2.7	2.5	2.6	2.6
Construction	15.8	15.1	14.7	14.1	14.0	13.2	12.5	11.8	11.7	10.3
Manufacturing	49.6	49.4	47.8	46.6	43.5	39.6	37.0	35.0	34.4	32.3
Transportation and Public Utilities	16.1	16.2	16.3	16.0	15.5	14.9	14.6	13.6	13.3	13.5
Wholesale and Retail Trade	88.7	88.0	87.7	87.4	84.7	81.6	80.4	78.5	76.1	72.5
Wholesale Trade	19.9	19.9	19.8	19.8	19.3	18.7	18.9	19.0	18.7	18.4
Retail Trade	68.8	68.1	67.9	67.7	65.4	62.9	61.5	59.5	57.5	54.1
Finance, Insurance, and Real Estate	22.2	21.0	19.9	18.8	18.0	17.7	17.3	16.7	16.3	15.7
Services	94.8	91.9	89.8	87.4	86.8	82.6	78.9	74.7	71.7	67.5
Government	70.1	69.9	70.4	71.0	67.1	66.6	65.4	63.4	62.7	61.6
<b>TOTAL</b>	359.1	353.7	348.9	343.6	332.0	318.7	308.8	296.4	288.8	276.0
% Change in Nonfarm Employment	1.50%	1.40%	1.50%	3.50%	4.20%	3.20%	4.30%	2.60%	4.60%	3.60%

**NOTE:** Numbers may not add due to rounding. 1998 data for South Dakota are preliminary and based on 11 months of reporting. Data not seasonally adjusted. Compiled by the State Data Center, USD Business Research Bureau.

**SOURCE:** U.S. Bureau of Labor Statistics and State Data Center.



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

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
1998	555	\$208.6	19	\$21.9	574	\$230.5
1997	466	236.1	22	7.5	488	234.8
1996	322	210.7	28	24.1	350	234.8
1995	403	236.3	33	92.8	436	329.1
1994	453	133.5	22	4.0	475	137.5
1993	474	161.8	24	17.6	498	179.4
1992	366	61.6	27	16.7	393	78.3
1991	441	113.3	31	13.3	472	126.6
1990	432	56.9	30	14.4	462	71.3
1989	469	126.9	39	13.1	508	140.0

**NOTE:** Only manufacturing and processing companies are included in the above totals.  
**SOURCE:** Survey, Governor's Office of Economic Development.

**GROSS SALES BY STATE SALES TAX LICENSEES**  
**(Sales Expressed in Millions of Dollars)**

	1998		1997		1996		1995		1994	
	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales	Sales	% of Total Sales
Agriculture, Forestry and Fishing	118.0	0.3	108.9	0.3	89.4	0.3	82.7	0.3	79.4	0.3
Mining	145.9	0.4	194.0	0.6	228.0	0.7	206.0	0.7	196.3	0.8
Construction	40.3	0.1	40.7	0.1	39.9	0.1	35.8	0.1	32.9	0.1
Manufacturing	3,236.1	9.2	3,290.6	9.4	3,240.8	10.4	3,062.3	11.0	2,580.1	10.3
Transportation, Communication, and Utilities	1,888.1	5.4	1,840.5	5.2	1,764.0	5.7	1,361.8	4.9	1,099.9	4.4
Wholesale Trade	8,234.2	23.4	8,888.1	25.3	7,618.8	24.4	7,300.8	26.2	6,707.0	26.7
Retail Trade	17,591.0	50.0	17,263.0	49.1	15,007.0	48.1	12,976.3	46.6	11,755.7	46.9
Finance, Insurance, and Real Estate	163.7	0.5	127.4	0.4	108.8	0.4	95.9	0.3	83.5	0.3
Services	3,770.4	10.7	3,366.1	9.6	3,070.1	9.8	2,695.5	9.7	2,527.0	10.1
Not coded	6.0	0.0	13.8	0.0	15.4	0.0	28.1	0.1	29.9	0.1
<b>STATE TOTAL</b>	<b>35,193.7</b>	<b>100.0</b>	<b>35,133.2</b>	<b>100.0</b>	<b>31,182.2</b>	<b>100.0</b>	<b>27,845.2</b>	<b>100.0</b>	<b>25,091.7</b>	<b>100.0</b>
% Change From Prior Year	0.2%		12.7%		12.0%		11.0%		12.1%	

**SOURCE:** South Dakota Sales and Use Tax Reporting System.

## GROSS STATE PRODUCT PERCENT CHANGE

	1995- 1996	1994- 1995	1993- 1994	1992- 1993	1991- 1992	1990- 1991	1989- 1990	1988- 1989	1987- 1988	1986- 1987
U.S.	4.4%	3.5%	4.9%	2.4%	2.4%	-0.6%	1.1%	2.4%	5.0%	3.4%
South Dakota	6.7%	5.1%	5.2%	6.1%	4.8%	4.3%	3.8%	1.8%	0.5%	-1.0%
Iowa	6.1%	3.3%	9.3%	0.8%	3.8%	-0.4%	2.0%	3.7%	3.8%	0.6%
Minnesota	6.4%	3.4%	6.5%	0.7%	5.3%	-0.1%	0.3%	3.1%	3.0%	3.4%
Montana	2.1%	2.9%	3.0%	4.6%	4.8%	2.2%	1.4%	3.2%	-0.9%	-1.1%
Nebraska	5.4%	2.4%	7.9%	0.7%	3.8%	2.5%	3.5%	3.8%	3.4%	-0.4%
North Dakota	4.9%	4.4%	5.9%	-1.2%	7.2%	-1.4%	4.3%	2.3%	-5.8%	-0.7%
Wyoming	0.9%	4.6%	3.1%	6.0%	-0.9%	3.2%	5.8%	-1.4%	7.1%	-3.9%

**NOTE:** The GSP estimates are consistent with the estimate of gross product by industry for the nation (adjusted to fixed-weighted 1992 dollars).

**SOURCE:** U.S. Bureau of Economic Analysis and the State Data Center.

## GROSS STATE PRODUCT 1986 - 1996 (Average Annual Percent Change)

	TOTAL	GOOD PRODUCING INDUSTRIES/1	PRIVATE SERVICE-TYPE INDUSTRIES/2	GOVERNMENT
U.S.	3.3%	4.0%	3.4%	1.5%
South Dakota	4.4%	10.6%	3.0%	0.8%
Iowa	3.8%	7.3%	2.4%	1.2%
Minnesota	3.7%	3.5%	4.1%	2.0%
Montana	2.4%	2.4%	2.9%	1.0%
Nebraska	3.8%	6.8%	3.5%	0.7%
North Dakota	2.1%	3.6%	2.3%	-0.4%
Wyoming	2.7%	5.3%	1.7%	-0.4%

<sup>1</sup> Goods producing industries consist of agriculture, mining, construction, and manufacturing.

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

**NOTE:** The GSP estimates are consistent with the estimates of gross product by industry for the nation (adjusted to fixed-weighted 1992 dollars).

**SOURCE:** U.S. Bureau of Economic Analysis and the State Data Center.

## BANKING

YEAR	BANK DEPOSITS (MILLIONS)	PER CAPITA BANK DEPOSITS
1997	\$11,787	\$15,972
1996	13,207	17,896
1995	11,866	16,144
1994	11,378	15,586
1993	11,001	15,216
1992	11,164	15,614
1991	11,251	15,891
1990	10,934	15,687
1989	9,455	13,565
1988	8,904	12,756

**NOTES:** Bank deposits are for all insured commercial banks.

Per capita bank deposits are calculated by dividing the bank deposits by the estimated population for each year.

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

## FARM STATISTICS

CALENDAR YEAR	NUMBER OF FARMS	VALUE PER OPERATING UNIT	AVERAGE LAND VALUE PER ACRE	FARM NET INCOME (THOUSANDS)	AVERAGE INCOME PER FARM
1997	32,500	\$440,050	\$325	\$1,045,951	\$32,183
1996	32,500	419,740	310	1,459,996	44,923
1995	33,000	402,566	302	659,470	* 19,984
1994	34,000	371,800	286	1,245,181	36,623
1993	34,500	349,713	273	976,063	28,292
1992	35,000	361,218	286	1,096,177	31,319
1991	35,000	370,059	293	962,521	27,501
1990	35,000	368,406	291	1,069,208	30,549
1989	35,000	345,618	273	778,524	22,244
1988	35,000	340,554	269	817,238	23,350

**NOTE:** Net farm income is defined as total cash receipts and other income, less total production expenses, plus the value of inventory change. Cash receipts come from marketing of livestock and products and crops. Other income includes government payments, imputed income, and rent received. All farm net income data is revised.

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

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

<b>GROSS CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS (MILLIONS)</b>								
	1997	1996	1995	1994	1993	1992	1991	1990
CROPS	2,417	1,875	1,715	1,634	1,236	1,344	1,265	968
LIVESTOCK AND PRODUCTS	1,820	1,634	1,700	1,702	1,964	1,767	1,880	1,994
GOVERNMENT PAYMENTS	268	230	245	289	432	272	286	333
TOTAL	4,505	3,739	3,660	3,625	3,632	3,383	3,431	3,295

*The data for this table has been revised to reflect revisions in NIPAs.*

**SOURCE:** Economic Research Service, USDA. Compiled by the State Data Center, USD Business Research Bureau.

## 1997 RANKING FOR CROP AND LIVESTOCK PRODUCTION

CROP	VOLUME	NATIONAL RANK
Corn for Grain	332.2 M Bu.	9 th
Oats	17.1 M Bu.	5 th
All Wheat	99.2 M Bu.	8 th
Winter Wheat	31.5 M Bu.	17 th
Durum Wheat	0.5 M Bu.	5 th
Other Spring Wheat	67.2 M Bu.	4 th
Barley	4.9 M Bu.	14 th
Rye	0.7 M Bu.	3 rd
Flax Seed	0.3 M Bu.	2 nd
Sorghum for Grain	11.4 M Bu.	7 th
Soybeans for Beans	120.8 M Bu.	8 th
Sunflower Seed	1,268.7 M Lb.	2 nd
All Hay	8.1 M Ton	3 rd
Alfalfa Hay	5.3 M Ton	2 nd
All Other Hay	2.8 M Ton	7 th

LIVESTOCK	AMOUNT	NATIONAL RANK
Cattle and Calves	3.6 M Head	9 th
Hogs and Pigs	1.3 M Head	11 th
Sheep and Lambs	.4 M Head	6 th

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