

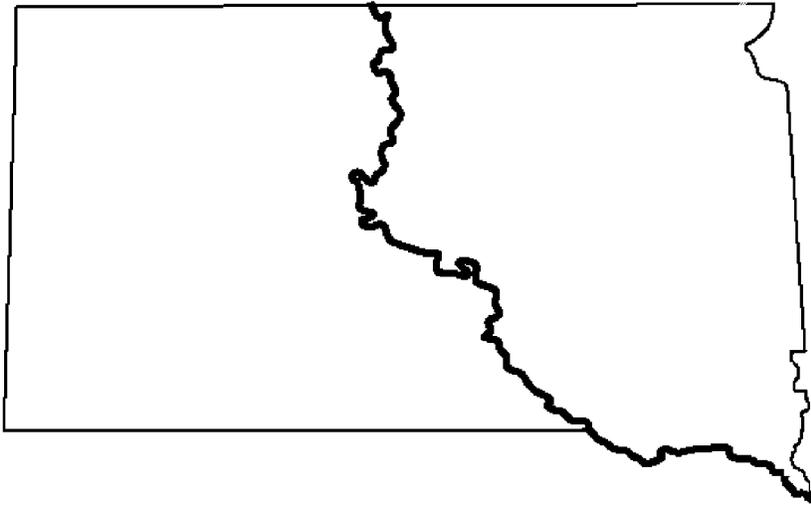
South Dakota

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005



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

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED JUNE 30, 2005**



M. MICHAEL ROUNDS, GOVERNOR

DENNIS DAUGAARD, LT. GOVERNOR

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

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SPECIAL THANKS TO:

**South Dakota Department of Legislative Audit, Pierre
Business Research Bureau, University of South Dakota, Vermillion
All State Finance Officers and Accountants
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STATE OF SOUTH DAKOTA

M. MICHAEL ROUNDS, GOVERNOR



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

It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2005. This is our nineteenth *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.

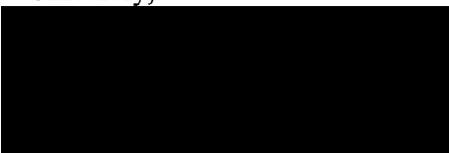
The state's economy is expected to gain strength. Recent economic data supports this forecast as employment continues to grow, wages continue to rise, consumers continue to spend and the housing market continues to remain strong. The unemployment rate in South Dakota continues to remain one of the lowest in the nation through FY 2005.

This report focuses on my four financial priorities:

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

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

Sincerely,



M. Michael Rounds /



TABLE OF CONTENTS

Title Page

Acknowledgements

Governor's Letter

INTRODUCTORY SECTION:

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

FINANCIAL SECTION:

Independent Auditor's Report	11
Management's Discussion and Analysis.....	13

Basic Financial Statements 29

Statement of Net Assets.....	31
Statement of Activities	32
Balance Sheet – Governmental Funds.....	34
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	37
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	38
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	41
Statement of Net Assets – Proprietary Funds	42
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	43
Statement of Cash Flows – Proprietary Funds.....	44
Statement of Fiduciary Net Assets – Fiduciary Funds.....	46
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	47
Combining Statement of Net Assets – Component Units.....	48
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Component Units	49

Notes to the Financial Statements 51

Required Supplementary Information 89

Budgetary Comparison Schedule – General Fund.....	90
Budgetary Comparison Schedule – Transportation Fund.....	105
Budgetary Comparison Schedule – Social Services Federal	106
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation.....	107
Notes to Required Supplementary Information – Budgetary Reporting	108

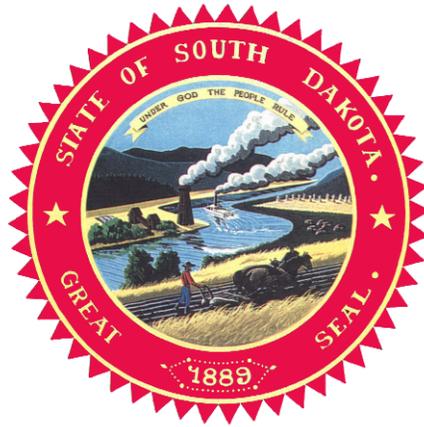
Combining Financial Statements 109

Combining Balance Sheet – Nonmajor Governmental Funds – By Type.....	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – By Type	111
Combining Balance Sheet – Nonmajor Special Revenue Funds	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	116
Combining Balance Sheet – Non Major Debt Service Funds.....	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non Major Debt Service Funds.....	121
Combining Statement of Net Assets – Nonmajor Enterprise Funds	122
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds	124
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	126
Combining Statement of Net Assets – Internal Service Funds	128

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	130
Combining Statement of Cash Flows – Internal Service Funds	132
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	134
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	135
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds	136
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds	137
Combining Statement of Fiduciary Net Assets – Agency Funds	139
Combining Statement of Changes in Assets and Liabilities – Agency Funds	140

STATISTICAL SECTION:

South Dakota Miscellaneous Information.....	143
South Dakota Miscellaneous Characteristics.....	144
Revenue by Source and Expenditure by Function – All Governmental Fund Types.....	145
2004 Sources of Income Percent of Total and Per Capita Personal Income	146
Taxable Sales for the Ten Largest Cities and Taxes Per Capita and Per \$1,000 Personal Income, United States, South Dakota, and Surrounding States.....	147
Population and Total Personal Income	148
Unemployment Rate and Nonfarm Wage and Salary Employment by Industry.....	149
Expanded and New Industries and Gross Sales by Industry.....	150
Gross State Product Percent Change and Gross State Product (1997 – 2004)	151
Banking.....	152
Farm Statistics.....	153
2004 Ranking for Crop and Livestock Production.....	154
General Census Information	155
Historical Census Counts and Major Employers in South Dakota.....	156
Public School Statistics	157
Elementary and Secondary Education and 2004 Civilian Labor Force	158
State Universities Historical Fall Headcount Enrollments and Postsecondary Vocational Technical Institutes	159



INTRODUCTORY SECTION



DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

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

MEMBERS OF THE SOUTH DAKOTA LEGISLATURE

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (herein after referred to as the State) for the fiscal year ended June 30, 2005.

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

The CAFR is presented in three sections: *Introductory*, *Financial*, and *Statistical*. The *Introductory Section*, which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2005 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the "Basic Financial Statements"; the Basic Financial Statements that present the government-wide financial statements, fund financial statements (for governmental funds, proprietary funds, and fiduciary funds), and combining component units financial statements, together with notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* presents unaudited, economic, financial trend and demographic information for the State on a multi-year basis.

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

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

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

Further information on the State's risk management activities can be found in Note 11 of the Notes to the Financial Statements.

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

Total investment income for all funds invested by the Investment Council was \$829.9 million for fiscal year 2005. Income for the most recent five years totaled \$1.8 billion and, since inception, has exceeded \$7.4 billion. The Investment Council has grown from \$133.0 million in assets at the end of its first year to \$7.9 billion at June 30, 2005.

Investment Council management of the South Dakota Cash Flow Fund resulted in earnings this year of \$21.7 million, a yield of 2.66%. The South Dakota Cash Flow Fund has earned taxpayers \$777.2 million over the past 33 years.

The South Dakota Retirement System's assets have returned 11.3% for the past 32 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top first percentile against state funds for total pension fund assets.

Cash management and investments are discussed more fully in Note 3 of the Notes to the Financial Statements.

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 30 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2005, \$1.3 billion has been generated to fund many public programs and projects. Lottery provided \$116.7 million income (before operating transfers) during fiscal year 2005.

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

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

The unfunded actuarial accrued liability as a percent of covered payroll went from 5.2% in 1987 to 15.8% in 2005. The funding ratio decreased from 97.5% in 1987 to 96.6% in 2005 after the improvement of benefits. The funding ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation.

Plan assets at fair value in 2005 were \$6.2 billion compared to plan assets in 1987 of \$903.5 million.

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

Additional information on the State's retirement plans can be found in Note 7 of the Notes to the Financial Statements.

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

Additional information on the State's health and life insurance benefits can be found in Note 11 of the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

A prime indicator of a state's economic health is the growth rate of nonfarm employment. The South Dakota economy was affected by the national recession that occurred from March 2001 to November 2001. However, in terms of nonfarm employment growth, the South Dakota economy performed better than the national economy during the recession and has continued to do so since then. U.S. nonfarm employment was flat in 2001, fell 1.1% and 0.3% in 2002 and 2003, respectively, and grew 1.1% and 1.5% in 2004 and 2005 respectively. Nonfarm employment growth in South Dakota was 0.2 % in 2001, -0.3% in 2002, 0.2% in 2003, 1.3% in 2004, and 1.7% in 2005.

In fiscal year 2005, nonfarm employment in South Dakota grew 1.6%. This was the fourth straight fiscal year that the South Dakota job market performed better than the U.S.'s. Sectors that experienced strong growth in fiscal year 2005 in South Dakota were construction (3.5%); leisure and hospitality (2.9%); financial activities (1.8%); and trade, transportation, and utilities (1.6%).

The unemployment rate in South Dakota continues to remain one of the lowest in the nation. At the end of fiscal year 2005, the State's unemployment rate was 3.8%, while the U.S. unemployment rate was 5.0% in June 2005.

In 2004, for the second year in a row, income in South Dakota was better than the national growth rate. In 2004, South Dakota ranked 19th in the U.S. for per capita personal income growth and 23rd in the U.S. for personal income growth. Over the past two years (2002-2004), South Dakota ranks first in the nation in terms of its per capita personal income growth and ranks second in the nation in its personal income growth.

The outlook for the South Dakota economy is optimistic as the State's economy is expected to continue to strengthen. Recent economic data supports this forecast since employment continues to grow, wages continue to rise, consumers continue to spend, and the housing market continues to remain relatively strong. In addition, the projected strengthening in the national economy should give a boost to economic growth in South Dakota.

MAJOR INITIATIVES

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

The fiscal year 2006 budget will continue to fund programs began in fiscal year 2005 to help in accomplishing these goals.

SD Certified Beef Program. Agriculture is the State of South Dakota's number one industry. With the passage of SB220 during the 2005 legislative session, the South Dakota Certified Beef Program was created to make sure agriculture can continue to be South Dakota's number one industry and provide new opportunities for the children and future generations of South Dakotans. As part of the Governor's 2010 Initiative, the mission of the South Dakota Certified Beef Program is to add value to South Dakota Beef Products using State verified protocols that raise the standards of local beef production to provide safety and product quality assurances to discriminating consumers.

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

Declining enrollment dollars are a method to help school districts gain some financial stability as enrollments decline. The State Aid to General Education formula is distributed based on the number of students enrolled in a district. Fewer students means less financial resources distributed to the district. For fiscal year 2004, fiscal year 2005, and fiscal year 2006, the State has increased the per student allocation for the State Aid to General Education formula by the amount the formula would be reduced based on fewer students

These approaches have resulted in an additional \$12.3 million in on-going funding and \$16.9 million in one-time funding being allocated to the K-12 community since fiscal year 2004.

New Site and Facility for Public Higher Education in Sioux Falls. Public higher education is critical to Sioux Falls and South Dakota's long-term future. The current USDSU facility is at capacity, with no room for expansion. To plan for the future, public higher education in Sioux Falls must have the space to grow to meet these needs. With the passage of HB 1238 and HB 1244, the State of South Dakota has sufficient land to permit planned and incremental growth and development of facilities needed to meet Sioux Falls' needs well into the future.

The passage of HB 1238 allows the Board of Regents to accept a gift from the Great Plains Foundation Inc. The Great Plains Education Foundation Inc. has agreed to provide the Board of Regents with funds to acquire the property for the new location of USDSU. HB 1244 appropriates general funds to the Board of Regents to build the new classroom facility. This \$8 million facility will provide for growth over the next several years.

DUSEL Lab. The National Science Foundation (NSF) announced in July the selection of the Homestake mine as one of two sites to receive \$500,000 for development of a conceptual design for the Deep Underground Science and Engineering Laboratory (DUSEL). During a 2005 special session, the Governor and Legislators agreed to fund an interim Laboratory until the final decision was made by NSF. The development of this Interim Laboratory at the 4850' level will make the Homestake site a more attractive candidate for eventual DUSEL funding.

2010 Education Initiative. Launched on January 4, 2006, the 2010 Education Initiative (2010E) provides a vision for the future of education in South Dakota, as well as a plan of measurable goals and objectives for achieving that vision.

The 2010 Education Initiative (2010E) takes an approach long used by successful businesses. According to the business model, 2010E establishes specific, measurable goals that we expect our system of public education to attain by 2010; identifies objectives-specific to each goal, which when met, should help us accomplish each goal; and identifies specific action steps in order to reach the stated objective.

The plan consists of three major initiatives: 1) Starting Strong, which targets kids from age 3 to grade 3; 2) Finishing Strong, which focuses on the high school and postsecondary experience; and 3) Staying Strong, which targets teachers, American Indian issues and financial resources.

ACKNOWLEDGMENTS

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

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'J. Dilges', with a large, sweeping flourish extending to the right.

Jason C. Dilges, Commissioner
Bureau of Finance and Management

**SOUTH DAKOTA
PRINCIPAL STATE OFFICIALS**

EXECUTIVE BRANCH

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

CONSTITUTIONAL OFFICERS

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

PUBLIC UTILITIES COMMISSION

**The Honorable Dusty Johnson, Commissioner
The Honorable Gary Hanson, Commissioner
The Honorable Bob Sahr, Commissioner**

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Speaker of the House**

**The Honorable Eric Bogue
Senate Majority Leader**

**The Honorable Garry Moore
Senate Minority Leader**

**The Honorable Larry Rhoden
House Majority Leader**

**The Honorable Dale Hargens
House Minority Leader**

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Chief Justice**

**The Honorable Richard Sabers
Associate Justice**

**The Honorable John Konenkamp
Associate Justice**

**The Honorable Steven Zinter
Associate Justice**

**The Honorable Judith Meierhenry
Associate Justice**

**SOUTH DAKOTA
FY2005 FUNCTIONS OF STATE GOVERNMENT**

GENERAL GOVERNMENT

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

**HEALTH, HUMAN AND
SOCIAL SERVICES**

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

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

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

**AGRICULTURE AND
NATURAL RESOURCES**

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

TRANSPORTATION

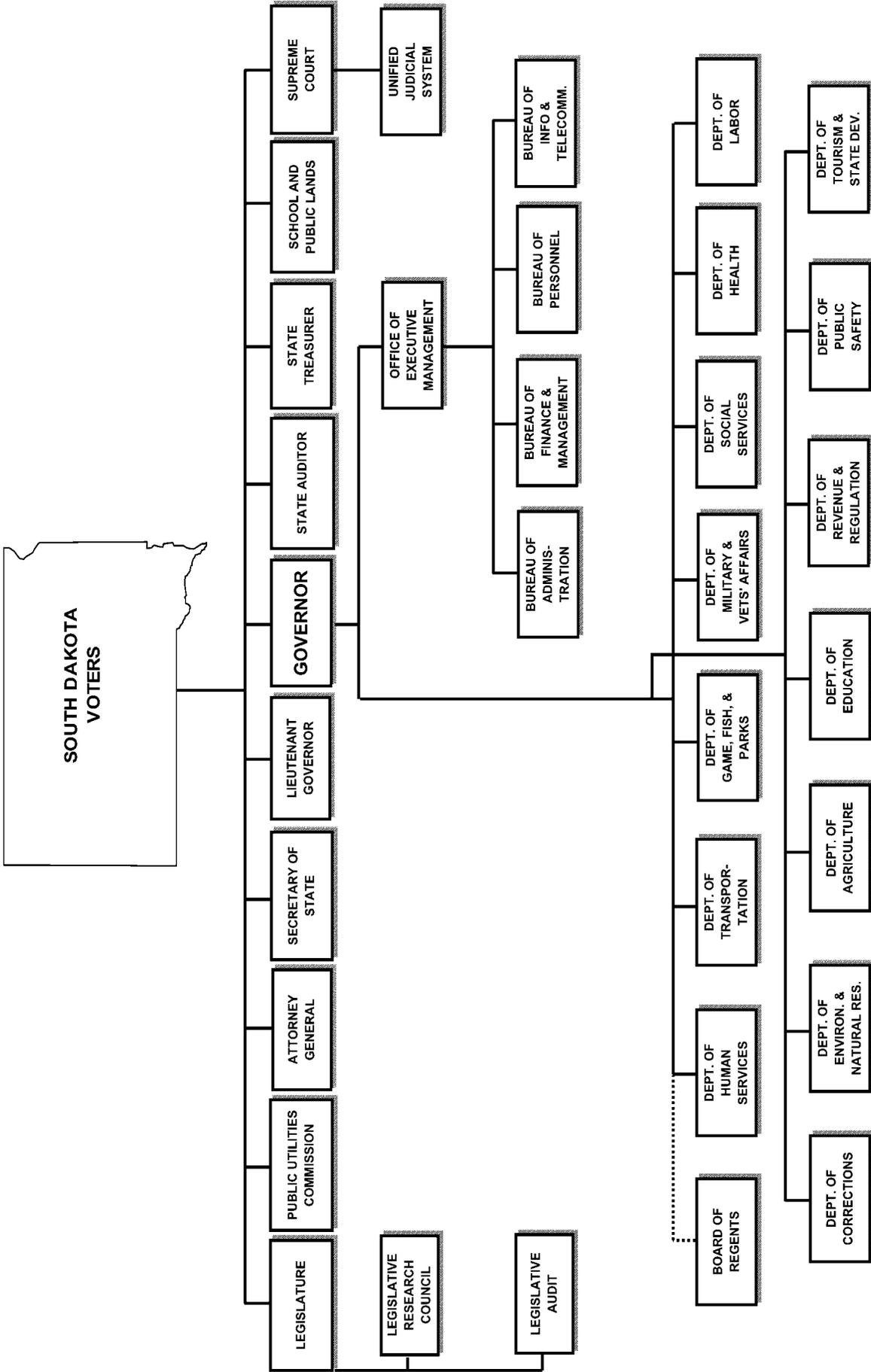
TRANSPORTATION

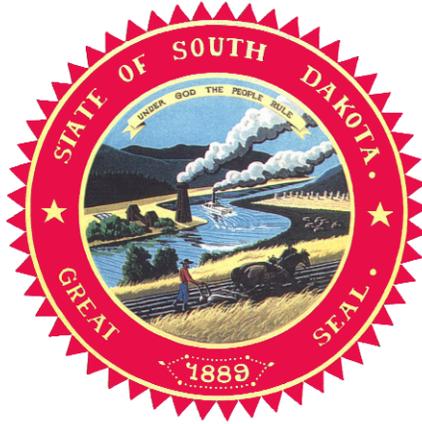
EDUCATION

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

ECONOMIC RESOURCES

TOURISM AND STATE DEVELOPMENT





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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the fiscal year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the South Dakota Retirement System, which represents 85% of the assets and 35% of the revenues and additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us; and our opinion, insofar as it relates to the amounts included for the South Dakota Retirement System, is based on the report of the other auditor.

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

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

remaining fund information of the State of South Dakota as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2006 on our consideration of the State of South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA
Auditor General

February 17, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the state of South Dakota's (herein after referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- The total assets of the State exceeded its total liabilities at the close of the fiscal year by \$4.1 billion (reported as net assets), an increase of \$173.3 million from the previous year. Certain resources within the total net assets balance have restrictions and internally imposed limitations that are discussed under the *Government-Wide Financial Analysis* section of this document. Component units reported net assets of \$875.1 million, an increase of \$71.5 million from the previous year.

Fund Level

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion, with \$1.2 billion reported as unreserved fund balance and the remaining amount of \$213.4 million reserved for specific purposes (such as encumbrances, inventories, debt service, environmental projects, school perpetuity, and noncurrent assets). Certain resources within the \$1.2 billion unreserved fund balance have internally imposed limitations that are discussed under the *Financial Analysis of the State's Funds* section of this document. At the end of the fiscal year, the unreserved fund balance for the General Fund was \$128.8 million, of which \$42.7 million was designated only to be used to address emergency situations, without having to raise taxes or cut spending, which is commonly referred to by management as the budget reserve.
- Proprietary funds reported net assets at year-end of \$369.9 million, an increase of \$18.1 million during the year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds and Trust Certificates) as of June 30, 2005 rose to \$427.0 million, an increase of \$19.1 million from the last fiscal year-end. The increase represents the net difference between new issuances, payments and refundings of outstanding debt.
- During the year, the State incurred no new long-term general indebtedness under governmental and business-type activities. However, the South Dakota Building Authority issued \$12.6 million in Governmental Activities Revenue Bonds, and the South Dakota Conservancy District issued \$38.5 million in Business-Type Activities Revenue Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

expenses are taken into account, regardless of when cash is received or paid. The government-wide financial statements include two statements:

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

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

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

Other component units are blended and reported as part of primary government or considered related organizations and not reported in these financial statements. For additional information regarding component units, refer to Note 1 B of the Notes to the Financial Statements.

Fund Financial Statements and Combining Component Units Financial Statements

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

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

Governmental funds include the General Fund and special revenue, capital projects, debt service, and permanent funds.

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

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

- **Proprietary Funds.** Proprietary funds include: (1) enterprise funds and (2) internal service funds. These funds account for the State's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.
 1. Enterprise funds (e.g., Lottery Fund) are used to account for activities that largely involve customers outside of state government, and are the same functions reported as business-type activities in the government-wide financial statements.
 2. Internal service funds (e.g., Fleet and Travel Management) are used to account for activities that largely involve other state agencies. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the fiscal year ending June 30, 2005. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2005 were \$5.0 billion, while total liabilities were \$0.9 billion, resulting in combined net assets (governmental and business-type activities) of \$4.1 billion.

State of South Dakota Net Assets (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 1,846,613	\$ 1,840,915	\$ 388,850	\$ 362,892	\$ 2,235,463	\$ 2,203,807
Capital Assets	<u>2,777,035</u>	<u>2,649,539</u>	<u>2,830</u>	<u>2,757</u>	<u>2,779,865</u>	<u>2,652,296</u>
Total Assets	<u>4,623,648</u>	<u>4,490,454</u>	<u>391,680</u>	<u>365,649</u>	<u>5,015,328</u>	<u>4,856,103</u>
Long-Term Liabilities Outstanding	475,502	492,205	53,386	30,087	528,888	522,292
Other Liabilities	<u>355,813</u>	<u>368,316</u>	<u>13,115</u>	<u>21,290</u>	<u>368,928</u>	<u>389,606</u>
Total Liabilities	<u>831,315</u>	<u>860,521</u>	<u>66,501</u>	<u>51,377</u>	<u>897,816</u>	<u>911,898</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,690,656	2,572,130	2,817	2,737	2,693,473	2,574,867
Restricted	280,219	253,780	227,167	215,957	507,386	469,737
Unrestricted	<u>821,458</u>	<u>804,023</u>	<u>95,195</u>	<u>95,578</u>	<u>916,653</u>	<u>899,601</u>
Total Net Assets	<u>\$ 3,792,333</u>	<u>\$ 3,629,933</u>	<u>\$ 325,179</u>	<u>\$ 314,272</u>	<u>\$ 4,117,512</u>	<u>\$ 3,944,205</u>

The largest component of the State's net assets, 65.4%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. **Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.**

Restricted net assets comprise 12.3% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments; or, (b) imposed by law through constitutional provisions on how they can be used. The remaining balance, \$916.7 million, is unrestricted net assets that may be used to meet the State's ongoing obligations to citizens and creditors. **However, certain resources within this balance have internally imposed limitations.**

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

- **General Fund Budget Reserve.** The 1991 South Dakota Legislature established a General Fund Budget Reserve that would only be used to address emergency situations without having to raise taxes or cut spending. The balance in the General Fund Budget Reserve at June 30, 2005 was \$42.7 million, an increase of \$0.8 million from the previous year.
- **Dakota Cement Trust Fund.** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states as follows: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen". The fund balance in the Dakota Cement Trust Fund at June 30, 2005 was \$254.4 million, an increase of \$13.8 million from the previous year.
- **Health Care Trust Fund.** This fund consists of monies that were on deposit in the Intergovernmental Transfer Fund. This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature". The fund balance in the Health Care Trust Fund at June 30, 2005 was \$89.6 million, an increase of \$4.2 million from the previous year.
- **Education Enhancement Trust Fund.** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature". The fund balance in the Education Enhancement Trust Fund at June 30, 2005 was \$363.7 million, an increase of \$16.3 million from the previous year.
- **Property Tax Reduction Fund.** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. SB 225, passed during the 1996 legislative session, provides that the Commissioner of the Bureau of Finance and Management may transfer monies available from the PTRF to the general fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature, and (3) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the general fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2005 was \$96.3 million, a decrease of \$24.7 million from the previous year.

Changes in Net Assets. The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net assets changed during fiscal year 2005.

**State of South Dakota
Changes in Net Assets
(Expressed in Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Service	\$ 259,058	\$ 254,840	\$ 200,471	\$ 194,405	\$ 459,529	\$ 449,245
Operating Grants and Contributions	1,197,637	1,134,512	22,606	31,995	1,220,243	1,166,507
Capital Grants and Contributions	6,564	922			6,564	922
General Revenues:						
Sales Taxes	554,647	524,705			554,647	524,705
Motor Fuel Taxes	153,846	156,212			153,846	156,212
Contractors Excise Taxes	66,555	60,322			66,555	60,322
Bank Card and Franchise Taxes	51,281	47,458			51,281	47,458
Other Taxes	184,452	179,866			184,452	179,866
Unrestricted Investment Earnings	81,543	54,190			81,543	54,190
Gain on Sale of Capital Assets	1,747	398			1,747	398
Miscellaneous	32,526	33,854			32,526	33,854
Total Revenue	<u>2,589,856</u>	<u>2,447,279</u>	<u>223,077</u>	<u>226,400</u>	<u>2,812,933</u>	<u>2,673,679</u>
Program Expenses:						
General Government	131,411	131,737			131,411	131,737
Education – Elementary, Secondary and Vocational Schools	176,700	156,652			176,700	156,652
Education – State Support to Universities	143,358	137,028			143,358	137,028
Health, Human and Social Services	978,950	903,644			978,950	903,644
Law, Justice, Public Protection and Regulation	200,024	180,802			200,024	180,802
Agriculture and Natural Resources	100,275	96,077			100,275	96,077
Economic Resources	42,419	37,260			42,419	37,260
Transportation	320,379	336,259			320,379	336,259
Intergovernmental – Payments to School Districts	337,507	326,559			337,507	326,559
Intergovernmental – Revenue Sharing	87,105	82,878			87,105	82,878
Unallocated Interest Expense	24,599	25,410			24,599	25,410
Unallocated Depreciation	53	53			53	53
Lottery			27,516	28,034	27,516	28,034
Clean Water State Revolving			1,114	1,616	1,114	1,616
Drinking Water State Revolving			1,976	1,253	1,976	1,253
Other			63,057	61,464	63,057	61,464
Total Expenses	<u>2,542,780</u>	<u>2,414,359</u>	<u>93,663</u>	<u>92,367</u>	<u>2,636,443</u>	<u>2,506,726</u>
Excess (Deficiency) Before Transfers	47,076	32,920	129,414	134,033	176,490	166,953
Transfers	118,507	112,762	(118,507)	(112,762)	0	0
Change in Net Assets	165,583	145,682	10,907	21,271	176,490	166,953
Net Assets – Beginning (As Restated)	<u>3,626,750</u>	<u>3,484,251</u>	<u>314,272</u>	<u>293,001</u>	<u>3,941,022</u>	<u>3,777,252</u>
Net Assets – Ending	<u>\$3,792,333</u>	<u>\$3,629,933</u>	<u>\$ 325,179</u>	<u>\$ 314,272</u>	<u>\$4,117,512</u>	<u>\$3,944,205</u>

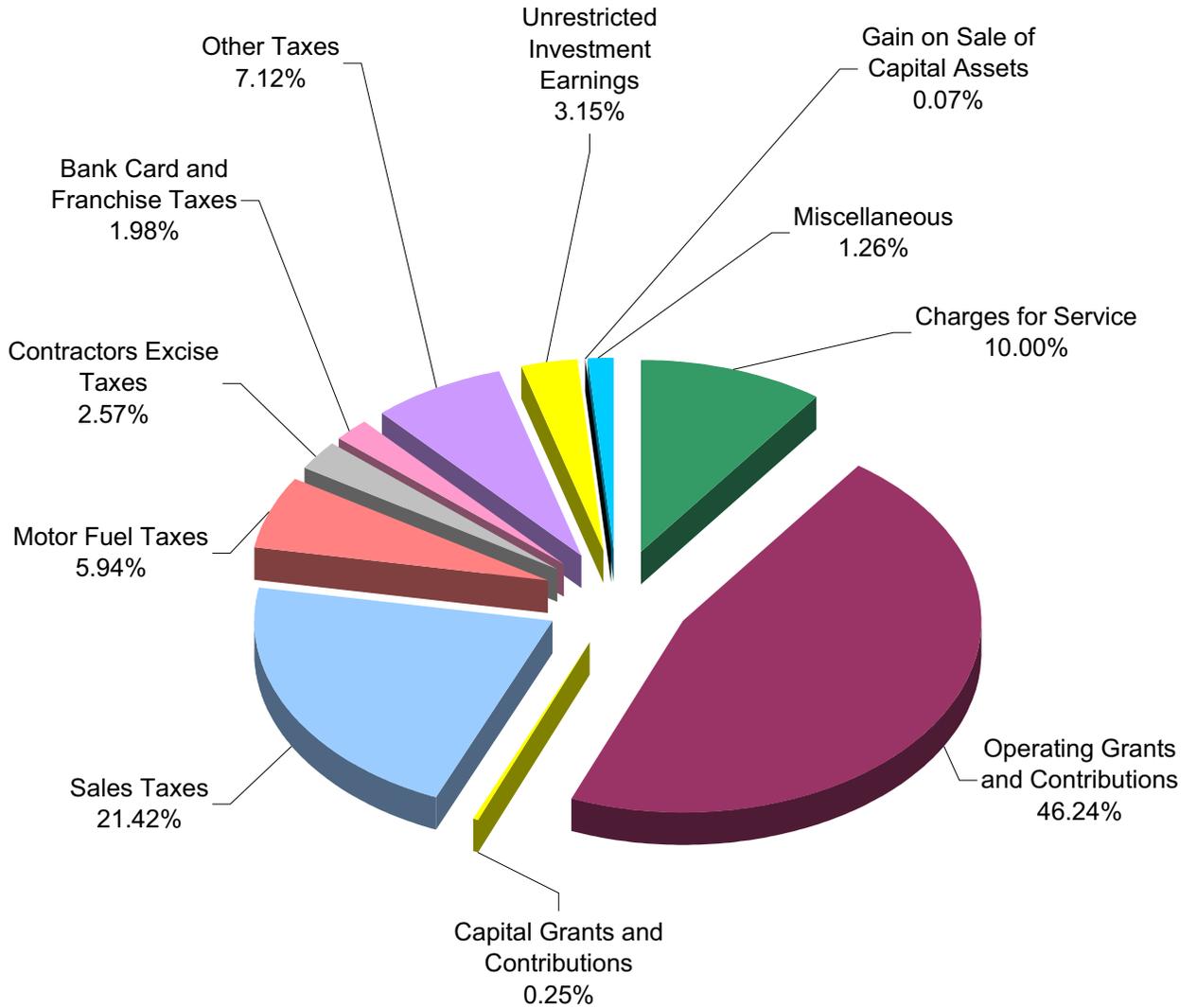
Governmental Activities:

Governmental activities (including restatements) increased the State's net assets by \$162.4 million. Factors contributing to the increase include, but are not limited to:

- An excess of revenues over expenses (before transfers) of \$47.1 million, primarily due to (1) management efforts to hold down expenditures, and (2) a strengthened economy resulting in increased tax and investment earnings revenues; and,
- Net transfers totaling \$118.5 million. The majority of "transfers in" were from the South Dakota Lottery in the amount of \$119.3 million.

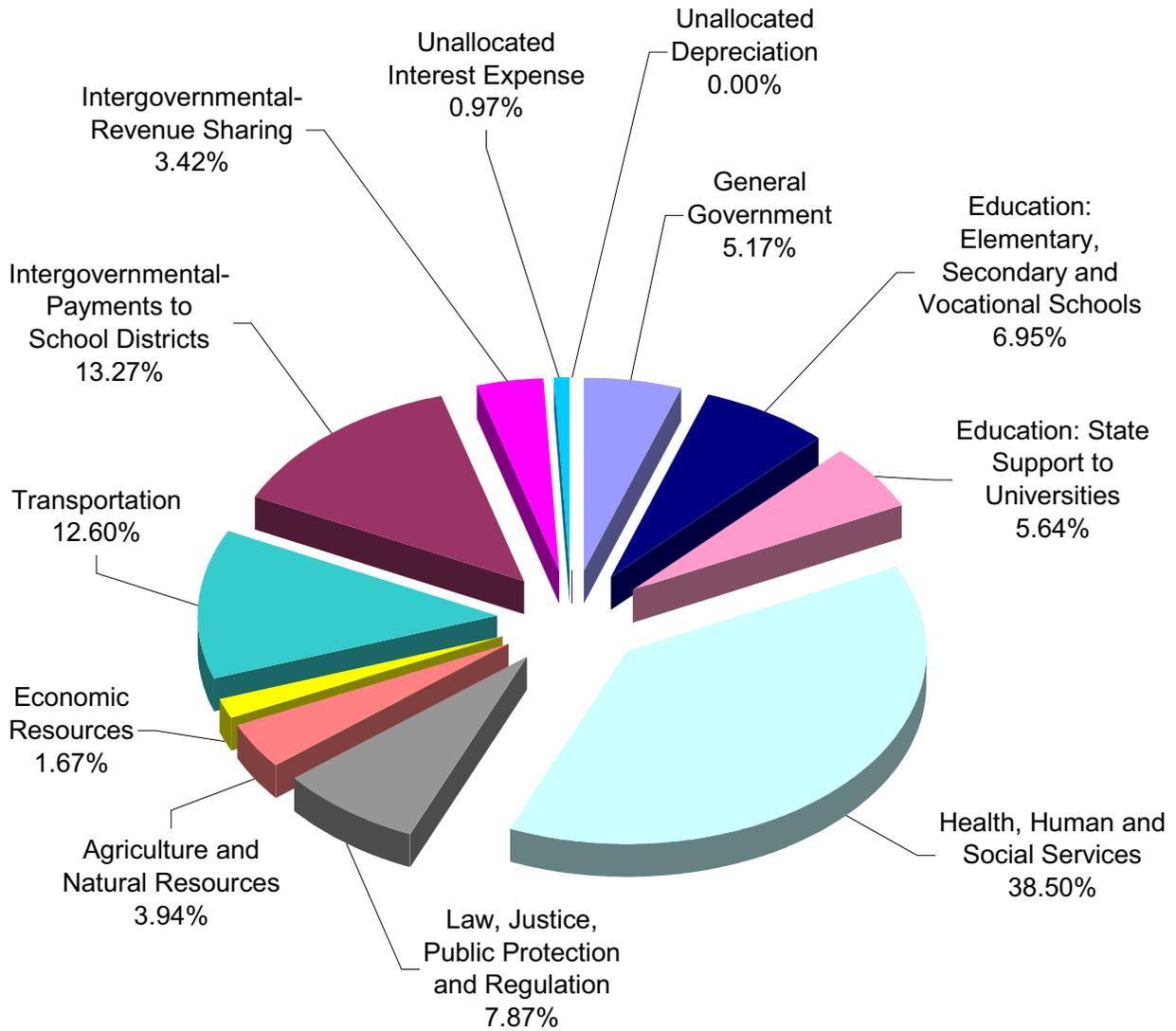
The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2005:

**State of South Dakota
Revenues - Governmental Activities
Fiscal Year Ended June 30, 2005**



Total Revenues \$2,589,856

**State of South Dakota
Expenses - Governmental Activities
Fiscal Year Ended June 30, 2005**



Total Expenses \$ 2,542,780

Business-Type Activities:

Net assets of the business-type activities increased by \$10.9 million during the fiscal year. Factors contributing to the increase include, but are not limited to:

- The Clean Water and Drinking Water State Revolving Funds together had an increase in net assets of \$21.0 million, primarily due to increased (1) federal funding of loan programs, and (2) investment earnings;
- The net assets of the Unemployment Insurance Fund declined by \$9.2 million, primarily due to claims exceeding assessments by \$10.6 million; and,
- The net assets of the Lottery Fund declined by \$2.6 million, primarily due to increased transfers to the Property Tax Reduction Fund and General Fund.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion, an increase of \$17.8 million in comparison with the prior year.

Approximately 15.1%, or \$213.4 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders for the prior fiscal year -- \$35.0 million, (2) to pay debt service -- \$98.3 million, (3) to pay for environmental projects -- \$13.1 million, (4) to be held in permanent trust funds with earnings distributed to primary governments and universities -- \$26.6 million, or (5) for inventories and a variety of other restricted purposes -- \$40.4 million.

Approximately 3.0%, or \$42.7 million of the combined ending fund balances, is designated as a General Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to address emergency situations without having to raise taxes or cut spending.

The remaining 81.9%, or \$1.2 billion of the combined ending fund balances, constitutes unreserved fund balance that may be used to meet the State's ongoing obligations to citizens and creditors. However, as previously mentioned, large portions of this balance relate to internally imposed limitations, such as statutory language that could limit resource use, unless appropriated by legislative action as defined by State law. Examples of funds (and reported unreserved fund balances) that are subject to internally imposed limitations include, but may not be limited to: (1) Dakota Cement Trust Fund -- \$254.4 million, (2) Health Care Trust Fund -- \$89.6 million, (3) Education Enhancement Trust Fund -- \$363.7 million, and (4) Property Tax Reduction Fund -- \$96.3 million. **Note:** For a complete explanation of these funds, refer to the previous section entitled, "Government-Wide Financial Analysis".

The following governmental funds are major funds and had significant changes to fund balances during fiscal year 2005:

- **General Fund.** The General Fund is the chief operating fund of the State. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$128.8 million, of which \$42.7 million was

designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve). The total fund balance at the end of the current fiscal year was \$152.1 million. As a measure of General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance (including the unreserved designated amount) represents 13.2% of the total General Fund operating expenditures, while the total fund balance represents 15.6% of that same amount.

Overall, the fund balance of the State's General Fund increased by \$14.5 million during the current fiscal year. This is a 10.6% increase from the prior year due to revenues and other financing sources exceeding expenditures and other financing uses during the current fiscal year. Factors contributing to the increase include, but are not limited to:

1. Increased revenues (\$40.6 million), primarily due to increased tax revenues and use of money and property due to a strengthened economy.
 2. Increased "transfers in" that were statutorily authorized (\$76.1 million).
 3. Decreased "transfers out", primarily due to a one time transfer during fiscal year 2004 to the Science and Technology Fund (\$14.7 million).
 4. Increased payments to school districts (\$60.5 million), mainly resulting from the loss of the fiscal relief from the federal government that was received in fiscal year 2004. This increase did not have a major effect on the fund balance because it was offset by an increase in "transfers in" from the Property Tax Reduction Fund.
 5. Increase in Health, Human and Social Service function expenditures (\$35.4 million), primarily due to the state share of the federal medical assistance percentage (FMAP) for Medicaid expenditures and increases in medical service caseloads.
- **Transportation Fund.** The total fund balance at the end of the current fiscal year for the Transportation Fund was \$119.5 million, an increase of \$6.6 million from the prior fiscal year. The fund balance increase was primarily the result of (1) operating revenue exceeding expenditures by \$3.9 million due to normal fluctuations in contract construction and maintenance activities, and (2) "transfers in" exceeding "transfers out" by \$2.7 million that were statutorily authorized.
 - **Dakota Cement Trust Fund.** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was \$254.4 million, an increase of \$13.8 million from the prior fiscal year. The increase resulted primarily from increased investment earnings.
 - **Education Enhancement Trust Fund.** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$363.7 million, an increase of \$16.3 million from the prior fiscal year. The increase resulted primarily from increased investment earnings.
 - **Property Tax Reduction Fund.** The total fund balance at the end of the current fiscal year for the Property Tax Reduction Fund was \$96.3 million, a decrease of \$24.7 million from the prior fiscal year. The net decrease resulted primarily from transfers to the General Fund in excess of revenue received from taxes and transfers from the Lottery fund. Transfers out to the General Fund increased as a result of the loss of the fiscal relief from the federal government that was received in fiscal year 2004.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary funds had significant changes to net assets during fiscal year 2005:

- **Lottery Fund.** At the end of the current fiscal year, the Lottery Fund reported total net assets of \$3.4 million, a decrease of \$2.6 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$116.7 million on total revenue of \$144.0 million, compared to the previous fiscal year's income (before transfers) of \$116.2 million on total revenue of \$143.7 million. The increase was largely the result of increased video lottery revenue and increased instant ticket sales. During fiscal year 2005, the State Lottery distributed approximately

\$109.1 million to the Property Tax Reduction Fund, \$7.7 million to the General Fund, \$2.3 million to the Capital Construction Fund, and \$0.2 million to the Department of Human Services.

- **Clean Water State Revolving Fund.** The Clean Water State Revolving Fund program provides low interest loans to governmental entities for wastewater, storm sewer, and nonpoint source pollution projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of \$124.5 million, an increase of \$7.6 million in comparison with the prior fiscal year. The increase resulted primarily from (1) the receipt of \$2.3 million capitalization grant monies received from the federal government and (2) \$5.3 million of revenue from investments, interest, and other sources in excess of operating expenses.
- **Drinking Water State Revolving Fund.** The Drinking Water State Revolving Fund program provides low interest loans for drinking water projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net assets of \$71.5 million, an increase of \$13.4 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of \$11.3 million capitalization grant monies received from the federal government and (2) \$2.1 million of revenue from investments, interest, and other sources in excess of operating expenses.
- **Unemployment Insurance Fund.** At the end of the current fiscal year, the Unemployment Insurance Fund reported total net assets of \$22.4 million, a decrease of \$9.2 million in comparison with the prior fiscal year. During the current fiscal year, total insurance claims exceeded assessments by \$10.6 million. In the past five years, benefits paid have exceeded normal revenue because benefit levels are tied to wage inflation and increase each year, while income to the trust fund and other triggers do not have automatic inflation factors and have remained stagnant. The 2005 legislature passed House Bill 1228 which became law effective July 1, 2005. House Bill 1228 created three short-term solutions which: (1) Eliminated the interest credit to employers and increased revenue to the trust fund; (2) Directed that 100 percent of the non-charged benefits be pro-rated to employer accounts instead of only 50 percent as before; and (3) Required the surtax trigger amount be determined quarterly, rather than annually, and would remain in effect until the trust fund balances are at least 150 percent of the trigger amount. The Unemployment Insurance Advisory Council is continuing to work on long-term strategies to address problems with the unemployment insurance system.

Budgetary Highlights - General Fund

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

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

General Fund. The difference between the original and the final amended budget was relatively minor (\$11.5 million increase in appropriations) and is primarily due to the following areas:

- \$5.2 million appropriation to the Department of Executive Management for settlement expenses to SDDS, Inc.
- \$2.8 million appropriations to the Department of Agriculture for costs related to the suppression of wildfires and to the State Fair for the repayment of debt.
- \$1.8 million supplemental appropriations to the Board of Regents for the renovation or replacement of the Lee Medicine and Science Hall at the University of South Dakota in Vermillion, South Dakota.

- \$1.3 million appropriations to the Bureau of Administration for the payment of extraordinary litigation expenses.

The difference between the final amended budget and actual spending (\$13.4 million below final budgeted estimates) resulted from the following:

- Agencies controlled spending in an effort to create budgetary savings to the General Fund of \$2.5 million.
- Maintenance and repair amounts of \$1.9 million statutorily authorized to be carried forward and spent in future years.
- Special appropriation amounts of \$9.0 million statutorily authorized to be carried forward and spent in future years, mostly pertaining (but not limited), to: the George S. Mickelson Criminal Justice Center in Pierre (\$2.8 million); sales tax on food refund program (\$3.1 million); and, the Lee Medicine and Science Hall renovation or replacement project at the University of South Dakota (\$1.8 million).

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business type activities as of June 30, 2005 is \$2.8 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

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

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2005	2004	2005	2004	2005	2004
Land	\$67,485	\$64,083	\$354	\$354	\$67,839	\$64,437
Land Improvements	13,693	9,838	924	924	14,617	10,762
Land Improvements - Roads	560,152	559,379	0	0	560,152	559,379
Buildings	264,791	251,193	4,008	4,008	268,799	255,201
Equipment	137,890	125,183	2,300	2,153	140,190	127,336
Vehicles	98,172	93,075	0	0	98,172	93,075
Infrastructure	2,727,064	2,666,579	0	0	2,727,064	2,666,579
Construction in Progress	266,325	186,229	81	0	266,406	186,229
Total Capital Assets	4,135,572	3,955,559	7,667	7,439	4,143,239	3,962,998
Accumulated Depreciation	(1,358,537)	(1,306,020)	(4,837)	(4,682)	(1,363,374)	(1,310,702)
Total Capital Assets, Net	\$2,777,035	\$2,649,539	\$2,830	\$2,757	\$2,779,865	\$2,652,296

The most significant capital asset the state reported in FY 2005 was infrastructure assets and related land, land improvements, and construction in progress. Infrastructure assets are long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for \$2.4 billion (net of accumulated depreciation), which is 86.5% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2004 to 2005 by approximately 4.8%. The change was primarily due to ongoing construction and completion of segments of infrastructure—highways, bridges, and railroads. Construction in progress for highways, bridges, and railroads increased by \$138.0 million and decreased (projects completed and capitalized) by \$67.2 million. Land and land improvements increased by \$7.3 million which consisted largely of the purchase of excess right-of-way and other land and land improvements by the Department of Transportation (\$3.6 million, net of disposals), and land improvements by the Department Military and Veterans Affairs (\$3.1 million). Building and building improvements increased by \$13.6 million. This was largely due to the completion of new buildings and building improvements by the Department of Military and Veterans Affairs (\$11.4 million), the Department of Transportation (\$1.0 million), and the Department of Tourism (\$1.1 million). Equipment assets increased by \$12.9 million. This was largely due to the South Dakota Public Broadcasting's digital television conversion that was federally mandated (\$3.5 million), the purchase of new equipment and replacing of aged equipment by the Department of Transportation (\$4.0 million, net of disposals), and by the Department of Military and Veterans Affairs (\$1.7 million, net of disposals). Vehicles which include trucks, cars, pickups and other vehicles, increased by \$5.1 million largely due to replacing aged vehicles by the Department of Transportation (\$3.0 million, net of disposals), and the Bureau of Administration (\$1.9 million, net of disposals). Construction in progress, not including construction in progress for highways, bridges, and railroads, increased by \$9.4 million. This was largely due to ongoing costs for the George S. Mickelson Criminal Justice Center in Pierre by the Office of Attorney General (\$15.1 million), building improvement costs for the Department of Corrections (\$7.8 million), systems development costs for the Unified Judicial System (\$1.9 million), and the completion and capitalization of land and building improvement projects by the Department of Military and Veterans Affairs (\$16.7 million decrease, net of projects completed and capitalized).

More detailed information on the State's capital assets can be found in NOTE 6 to the financial statements.

Debt Administration

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

The South Dakota Building Authority was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other state departments and institutions. The South Dakota Building Authority is a blended component unit of the State. At June 30, 2005, the outstanding uninsured bonds of the South Dakota Building Authority had a rating of A1 from Moody's and AA- from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of state departments and institutions are reported as part of governmental activities in the State's basic financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information. The South Dakota Building Authority issued \$12.6 million Governmental Activities Revenue Bonds for the year ending June 30, 2005.

The Educational Enhancement Funding Corporation ("EEFC") is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and, accordingly, is included in the State's financial statements. At June 30, 2005, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco Settlement Revenues under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after

payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The Bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The Bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. During the year, EEFC incurred no new long-term general indebtedness.

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance to political units for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; development and implementation of plans under the Estuary Protection Program; and construction and maintenance of drinking water facilities respectively. At June 30, 2005, the South Dakota Conservancy District had a rating of Aaa from Moody's and AAA from Standard & Poor's. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State; or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF and, if necessary, legislative appropriations of \$1.2 million for the CWSRF only. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements. During the current fiscal year, the South Dakota Conservancy District issued \$9.4 million in Revenue Refunding Bonds for current refunding and \$2.0 million in Revenue Refunding Bonds for an advanced refunding on bonds used previously to provide funds needed for the State match required under the Federal Water Pollution Control Act. The South Dakota Conservancy District also issued \$27.1 million in Revenue Bonds which were comprised of \$4.9 million in State Match Bonds to be used to provide funds needed for the State match required under the Safe Drinking Water Act and \$22.1 million in Leveraged Bonds to meet additional demand for Drinking Water SRF Loans.

At June 30, 2005, primary government had total note and bonded debt outstanding as follows:

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue Bonds:						
South Dakota Building Authority	\$ 82,300	\$ 78,479	\$	\$	\$ 82,300	\$ 78,479
Educational Enhancement Funding Corporation	257,376	262,989			257,376	262,989
South Dakota Conservancy District			52,272	28,853	52,272	28,853
Trust Certificates:						
South Dakota Building Authority	<u>35,080</u>	<u>37,575</u>			<u>35,080</u>	<u>37,575</u>
TOTAL	<u>\$ 374,756</u>	<u>\$ 379,043</u>	<u>\$ 52,272</u>	<u>\$ 28,853</u>	<u>\$ 427,028</u>	<u>\$ 407,896</u>

Additional information on the State's long-term debt obligations is located in Note 13 in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

After growing 0.6%, or 2,300 jobs, in fiscal year 2004, nonfarm employment in South Dakota continued to strengthen in fiscal year 2005. In fiscal year 2005, nonfarm employment in the State grew 1.6%, or 6,200 jobs. This growth was stronger than the national growth rate for the fourth fiscal year in a row. The unemployment rate in South Dakota continued to remain one of the lowest in the nation in fiscal year 2005. South Dakota's unemployment rate was 3.8% in June 2005, while the U.S. unemployment rate was 5.0% the same month.

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

REQUESTS FOR INFORMATION

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

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



BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements – Statement of Net Assets

Government-Wide Financial Statements – Statement of Activities

Balance Sheet – Governmental Funds

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

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

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

Statement of Net Assets – Proprietary Funds

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

Statement of Cash Flows – Proprietary Funds

Statement of Fiduciary Net Assets – Fiduciary Funds

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Combining Statement of Net Assets – Component Units

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

Notes to the Financial Statements



STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2005
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 659,051	\$ 107,215	\$ 766,266	\$ 236,050
Receivables (Net)	315,824	192,602	508,426	1,146,544
Due From Component Units	714	33	747	
Due From Primary Government			0	1,566
Internal Balances	4,541	(4,541)	0	
Investments	751,284	84,232	835,516	624,023
Inventory	18,362	2,015	20,377	8,856
Deferred Fiscal Charges and Other Assets	8,326	756	9,082	13,078
Restricted Assets:				
Cash and Cash Equivalents	10,001	23	10,024	21,689
Investments	23,422	1,322	24,744	48,761
Other			0	32,220
Securities Lending Collateral	55,088	5,193	60,281	6,988
Capital Assets:				
Land and Other Non-depreciable Assets	629,412	354	629,766	14,310
Infrastructure (net)	1,608,497		1,608,497	
Property, Plant and Equipment (net)	272,801	2,395	275,196	301,361
Construction in Progress	266,325	81	266,406	48,991
Total Assets	4,623,648	391,680	5,015,328	2,504,437
Liabilities				
Accounts Payable and Other Liabilities	243,338	5,503	248,841	38,867
Due To Primary Government			0	747
Due To Component Units	1,566		1,566	
Accrued Interest Payable	6,856	978	7,834	11,698
Deferred Revenue	48,965	1,441	50,406	1,273
Securities Lending Collateral Liability	55,088	5,193	60,281	6,988
Noncurrent Liabilities:				
Due Within One Year	44,221	2,081	46,302	62,359
Due In More Than One Year	431,281	51,305	482,586	1,507,400
Total Liabilities	831,315	66,501	897,816	1,629,332
Net Assets				
Invested In Capital Assets, Net of Related Debt	2,690,656	2,817	2,693,473	246,421
Restricted For:				
Highways	119,500		119,500	
Agriculture and Natural Resources	14,533		14,533	
Debt Service	88,206	1,345	89,551	326,620
Capital Projects	2,716		2,716	
Unemployment Compensation		22,411	22,411	
Environmental Projects	10,000	194,634	204,634	
Revolving Loan Programs		8,777	8,777	
School Perpetuity - Expendable	831		831	
School Perpetuity - Nonexpendable	25,706		25,706	
Higher Education - Expendable			0	79,488
Higher Education - Nonexpendable			0	159,664
Other Purposes	18,727		18,727	10,800
Unrestricted	821,458	95,195	916,653	52,112
Net Assets	\$ 3,792,333	\$ 325,179	\$ 4,117,512	\$ 875,105

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

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 131,411	\$ 130,213	\$ 11,268	\$
Education - Elementary, Secondary and Vocational				
Schools	176,700	2,024	144,323	
Education - State Support to Universities	143,358			
Health, Human and Social Services	978,950	25,589	665,530	
Law, Justice, Public Protection and Regulation	200,024	42,534	58,149	6,269
Agriculture and Natural Resources	100,275	48,436	30,557	
Economic Resources	42,419	1,752	16,571	
Transportation	320,379	8,510	271,239	295
Intergovernmental - Payments to School Districts	337,507			
Intergovernmental - Revenue Sharing	87,105			
Unallocated Interest Expense	24,599			
Unallocated Depreciation	53			
Total Governmental Activities	2,542,780	259,058	1,197,637	6,564
Business-Type Activities:				
Lottery	27,516	143,976	263	
Clean Water State Revolving	1,114	3,441	5,322	
Drinking Water State Revolving	1,976	2,102	13,304	
Revolving Economic Development and Initiative	996	1,301	1,285	
Unemployment Insurance	30,729	20,099	1,647	
Second Injury	8,711	7,556	42	
State Fair	2,700	1,728	32	
Federal Surplus Property	4,546	4,568	10	
Rural Rehabilitation	1,125	298	145	
Prison Industries	2,371	2,493	45	
Health Insurance Risk Pool	3,665	3,527	277	
Professional and Licensing	5,141	5,378	146	
Banking and Insurance	1,844	1,685	7	
Other	1,229	2,319	81	
Total Business-Type Activities	93,663	200,471	22,606	0
Total Primary Government	\$ 2,636,443	\$ 459,529	\$ 1,220,243	\$ 6,564
Component Units:				
Higher Education	\$ 467,442	\$ 216,185	\$ 126,387	\$ 11,583
Housing Authority	96,860	112,879		
Finance Authority	882	1,066		
CREP Program	309	276		
Science and Technology Authority	788	19	671	
Value Added Finance Authority	31	37	34	
Total Component Units	\$ 566,312	\$ 330,462	\$ 127,092	\$ 11,583

General Revenues:

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

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

Net (Expenses) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ 10,070	\$	\$ 10,070	
(30,353)		(30,353)	
(143,358)		(143,358)	
(287,831)		(287,831)	
(93,072)		(93,072)	
(21,282)		(21,282)	
(24,096)		(24,096)	
(40,335)		(40,335)	
(337,507)		(337,507)	
(87,105)		(87,105)	
(24,599)		(24,599)	
(53)		(53)	
<u>(1,079,521)</u>	<u>0</u>	<u>(1,079,521)</u>	
	116,723	116,723	
	7,649	7,649	
	13,430	13,430	
	1,590	1,590	
	(8,983)	(8,983)	
	(1,113)	(1,113)	
	(940)	(940)	
	32	32	
	(682)	(682)	
	167	167	
	139	139	
	383	383	
	(152)	(152)	
	1,171	1,171	
<u>0</u>	<u>129,414</u>	<u>129,414</u>	
<u>(1,079,521)</u>	<u>129,414</u>	<u>(950,107)</u>	
			\$ (113,287)
			16,019
			184
			(33)
			(98)
			40
			<u>(97,175)</u>
554,647		554,647	
153,846		153,846	
66,555		66,555	
51,281		51,281	
184,452		184,452	
81,543		81,543	4,434
			143,358
1,747		1,747	
32,526		32,526	
			7,220
118,507	(118,507)		
<u>1,245,104</u>	<u>(118,507)</u>	<u>1,126,597</u>	<u>155,012</u>
165,583	10,907	176,490	57,837
3,626,750	314,272	3,941,022	817,268
<u>\$ 3,792,333</u>	<u>\$ 325,179</u>	<u>\$ 4,117,512</u>	<u>\$ 875,105</u>

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005
(Expressed in Thousands)

Assets	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Cash and Cash Equivalents	\$ 84,049	\$ 106,676	\$	\$ 23,637	\$ 45,529
Investments				235,263	334,953
Securities Lending Collateral	6,837	7,399		11,017	
Receivables From:					
Taxes (net)	85,018	13,337			
Interest and Dividends	2,033	586	1	1,389	2,332
Other Funds	33,096	1,483	4		
Component Units					
Other Governments	691	26,392	33,731		
Loans and Notes (net)		633			
Other (net)	3,883	464	4,618	10,069	12,492
Inventory	2,076	12,662			
Deferred Fiscal Charges and Other Assets	808		53		
Total Assets	\$ 218,491	\$ 169,632	\$ 38,407	\$ 281,375	\$ 395,306
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 31,605	\$ 40,091	\$ 30,490	\$ 15,914	\$ 16,589
Payable To:					
Other Funds	3,485	1,110	6,563		15,005
Component Units	122	56	90		
Other Governments	22,708	185	69		
Claims, Judgments and Compensated Absences	151	132	28		
Deferred Revenue	1,476	1,159	1,114		
Securities Lending Collateral Liability	6,837	7,399		11,017	
Total Liabilities	66,384	50,132	38,354	26,931	31,594
Fund Balances:					
Reserved For:					
Encumbrances	21,250	1,964	2,861		
Inventories	2,076	12,662			
Debt Service					
Environmental Projects					
School Perpetuity					
Noncurrent Assets		458			
Unreserved Designated	42,683				
Unreserved Undesignated, Reported In:					
General Fund	86,098				
Special Revenue Funds		104,416	(2,808)	254,444	363,712
Capital Project Funds					
Total Fund Balances	152,107	119,500	53	254,444	363,712
Total Liabilities and Fund Balances	\$ 218,491	\$ 169,632	\$ 38,407	\$ 281,375	\$ 395,306

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

<u>Nonmajor</u>	<u>Total</u>
\$ 347,626	\$ 607,517
204,490	774,706
<u>25,572</u>	<u>50,825</u>
5,029	103,384
1,916	8,257
9,538	44,121
<u>40</u>	<u>40</u>
60,695	121,509
23,488	24,121
26,115	57,641
<u>1,890</u>	<u>16,628</u>
576	1,437
<u>\$ 706,975</u>	<u>\$ 1,810,186</u>

\$ 38,926	\$ 173,615
<u>18,883</u>	<u>45,046</u>
1,258	1,526
35,702	58,664
118	429
<u>60,637</u>	<u>64,386</u>
25,572	50,825
<u>181,096</u>	<u>394,491</u>

<u>8,954</u>	<u>35,029</u>
1,890	16,628
98,323	98,323
13,070	13,070
26,537	26,537
23,317	23,775
	42,683
<u>350,648</u>	<u>1,070,412</u>
3,140	3,140
<u>525,879</u>	<u>1,415,695</u>
<u>\$ 706,975</u>	<u>\$ 1,810,186</u>



**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2005
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,415,695

Amounts reported for governmental activities in the statement of net assets are different because:

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

Land and Construction in Progress	895,189	
Infrastructure	2,727,064	
Other Capital Assets	442,485	
Accumulated Depreciation	<u>(1,311,741)</u>	
Total Capital Assets		2,752,997

Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 22,202

Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 44,721

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are:

Bonds and Notes	(369,377)	
Accrued Interest on Bonds	(6,856)	
Capital Leases	(25,916)	
Compensated Absences	(39,939)	
Unclaimed Property	(936)	
Workers Compensation	<u>(258)</u>	
Total Long-Term Liabilities		<u>(443,282)</u>

Net Assets of Governmental Activities \$ 3,792,333

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>
Revenue:					
Taxes	\$ 758,874	\$ 179,424	\$	\$	\$
Licenses, Permits and Fees	6,294	3,032			
Fines, Forfeits and Penalties	814				
Use of Money and Property	13,552	2,397	8	26,956	31,828
Sales and Services	5,693	775			
Administering Programs	30	265,347	492,479		
Tobacco Settlement					
Other Revenue	8,579	2,735	3,561		
Total Revenue	<u>793,836</u>	<u>453,710</u>	<u>496,048</u>	<u>26,956</u>	<u>31,828</u>
Expenditures:					
Current:					
General Government	25,062			542	546
Education	28,101				
Education - Payments to School Districts	338,257				
Education - State Support to Universities	143,358				
Health, Human and Social Services	287,523		496,466		
Law, Justice, Public Protection and Regulation	109,332	15,764			
Agriculture and Natural Resources	13,303				
Economic Resources	9,482				
Transportation		434,033			
State Shared Revenue Paid to Other Governments	20,963				
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>975,381</u>	<u>449,797</u>	<u>496,466</u>	<u>542</u>	<u>546</u>
Excess of Revenues Over (Under) Expenditures	(181,545)	3,913	(418)	26,414	31,282
Other Financing Sources (Uses):					
Bonds Issued					
Discount on Bond Issuance					
Premiums on Refunding Bonds					
Transfers In	214,891	4,763			
Transfers Out	(18,810)	(2,092)		(12,633)	(15,005)
Net Other Financing Sources (Uses)	<u>196,081</u>	<u>2,671</u>	<u>0</u>	<u>(12,633)</u>	<u>(15,005)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,536	6,584	(418)	13,781	16,277
Fund Balances at Beginning of Year, restated	137,571	112,916	471	240,663	347,435
Fund Balances at End of Year	<u>\$ 152,107</u>	<u>\$ 119,500</u>	<u>\$ 53</u>	<u>\$ 254,444</u>	<u>\$ 363,712</u>

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

<u>Nonmajor</u>	<u>Total</u>
\$ 72,477	\$ 1,010,775
141,369	150,695
7,787	8,601
<u>21,415</u>	<u>96,156</u>
20,177	26,645
427,680	1,185,536
22,239	22,239
9,534	24,409
<u>722,678</u>	<u>2,525,056</u>
<u>45,071</u>	<u>71,221</u>
143,974	172,075
	338,257
	143,358
192,339	976,328
<u>86,325</u>	<u>211,421</u>
87,617	100,920
32,954	42,436
6,648	440,681
<u>66,142</u>	<u>87,105</u>
16,955	16,955
23,501	23,501
<u>701,526</u>	<u>2,624,258</u>
21,152	(99,202)
12,635	12,635
(80)	(80)
10	10
<u>142,188</u>	<u>361,842</u>
<u>(196,187)</u>	<u>(244,727)</u>
<u>(41,434)</u>	<u>129,680</u>
(20,282)	30,478
<u>546,161</u>	<u>1,385,217</u>
<u>\$ 525,879</u>	<u>\$ 1,415,695</u>



STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 30,478

Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	211,488	
Depreciation Expense	(67,901)	
Excess of Capital Outlay Over Depreciation Expense		143,587

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (20,518)

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

Bond Principal Retirement	16,955	
Capital Lease Payments	959	
Total Long-Term Debt Repayment		17,914

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported in governmental activities. 7,238

Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues decreased by this amount this year. 3,259

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

Bonds Issued	(12,635)	
Bond Issuance and Refunding Costs	(274)	
Bond Premium	(10)	
Bond Discount	80	
		(12,839)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net (Increase) Decrease in Accrued Interest	(613)	
(Increase) Decrease in Compensated Absences	(3,045)	
(Increase) Decrease in Workers Compensation	88	
(Increase) Decrease in Unclaimed Property	34	
Total Additional Expenditures		(3,536)

Change in Net Assets of Governmental Activities \$ 165,583

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

**STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005
(Expressed in Thousands)**

Assets	Business Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major				Total	
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		
Current Assets:						
Cash and Cash Equivalents	\$ 5,590	\$ 7,325	\$ 3,189	\$ 91,111	\$ 107,215	\$ 61,535
Receivables:						
Interest and Dividends	59	1,611	1,268	552	3,490	362
Other Funds				666	666	6,626
Component Units				33	33	674
Other Governments		159	541	141	841	104
Loans and Notes (Net)		6,255	3,000	3,090	12,345	
Other (Net)	4,794			1,529	6,323	284
Inventory				2,015	2,015	1,021
Securities Lending Collateral	361			4,832	5,193	4,263
Deferred Fiscal Charges and Other Assets	11	12	31	31	85	1,510
Total Current Assets	10,815	15,362	8,029	104,000	138,206	76,379
Restricted Assets:						
Restricted Cash		11	12		23	
Restricted Investments		374	948		1,322	
Investments		49,425	34,807		84,232	
Capital Assets:						
Land and Other Non-depreciable Assets				354	354	
Property, Plant and Equipment	941			6,291	7,232	70,286
Accumulated Depreciation	(929)			(3,908)	(4,837)	(46,796)
Construction in Progress				81	81	548
Total Capital Assets	12	0	0	2,818	2,830	24,038
Other Noncurrent Assets		74,127	66,444	29,703	170,274	
Total Assets	10,827	139,299	110,240	136,521	396,887	100,417
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	1,557	133	89	1,247	3,026	3,933
Payable To:						
Other Funds	5,056			163	5,219	1,112
Component Units					0	40
Escrow Payable	46				46	
Bonds, Notes and Leases Payable		1,026	469	9	1,504	2,694
Claims, Judgments and Compensated Absences	130	21	25	2,820	2,996	14,481
Accrued Interest Payable		252	726		978	
Deferred Revenue	151			1,290	1,441	6,068
Securities Lending Collateral Liability	361			4,832	5,193	4,263
Total Current Liabilities	7,301	1,432	1,309	10,361	20,403	32,591
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		13,325	37,452	4	50,781	5,803
Claims, Judgments and Compensated Absences	119	19	23	363	524	17,302
Total Liabilities	7,420	14,776	38,784	10,728	71,708	55,696
Net Assets						
Invested In Capital Assets, Net of Related Debt	12			2,805	2,817	15,541
Restricted For:						
Unemployment Compensation				22,411	22,411	
Debt Service		385	960		1,345	
Environmental Projects		124,138	70,496		194,634	
Revolving Loan Programs				8,777	8,777	
Unrestricted	3,395			91,800	95,195	29,180
Total Net Assets	\$ 3,407	\$ 124,523	\$ 71,456	\$ 125,793	\$ 325,179	\$ 44,721

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Business Type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major			Nonmajor	Total	
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,217	\$	\$ 1,591	\$ 7,817	\$ 9,034	\$
Use of Money and Property		2,657	1,591	1,360	5,608	18
Sales and Services	142,738	784	511	13,358	157,391	159,945
Administering Programs		2,274	11,309	78	13,661	
Assessments				27,655	27,655	
Other Revenue				389	389	1,582
Total Operating Revenue	143,955	5,715	13,411	50,657	213,738	161,545
Operating Expenses:						
Personal Services and Benefits	1,381	174	169	6,543	8,267	27,397
Travel	134	11	11	808	964	654
Contractual Services	6,306	46	41	6,033	12,426	27,620
Supplies and Materials	1,251	4	4	5,519	6,778	14,541
Other	50	472	47	1,022	1,591	
Interest		393	1,674	1	2,068	304
Depreciation/Amortization	3	14	30	166	213	7,761
Lottery Prizes	18,353				18,353	
Insurance Claims				42,701	42,701	79,577
Total Operating Expenses	27,478	1,114	1,976	62,793	93,361	157,854
Operating Income (Loss)	116,477	4,601	11,435	(12,136)	120,377	3,691
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets				13	13	375
Loss on Disposal of Assets				(2)	(2)	(187)
Interest Income	263	3,048	1,995	3,489	8,795	1,497
Other Expense	(38)			(275)	(313)	(239)
Grant and Other Income	21			523	544	
Total Nonoperating Revenue (Expenses)	246	3,048	1,995	3,748	9,037	1,446
Income (Loss) Before Transfers	116,723	7,649	13,430	(8,388)	129,414	5,137
Transfers:						
Transfers In				1,599	1,599	2,614
Transfers Out	(119,321)	(26)	(25)	(734)	(120,106)	(513)
Net Transfers In (Out)	(119,321)	(26)	(25)	865	(118,507)	2,101
Change in Net Assets	(2,598)	7,623	13,405	(7,523)	10,907	7,238
Net Assets at Beginning of Year	6,005	116,900	58,051	133,316	314,272	37,483
Net Assets at End of Year	\$ 3,407	\$ 124,523	\$ 71,456	\$ 125,793	\$ 325,179	\$ 44,721

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

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major				Total	Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 144,033	\$ 796	\$ 486	\$ 45,548	\$ 190,863	\$ 56,566
Receipts from Interfund Services Provided				3,762	3,762	105,093
Receipts from Federal Agencies		2,201	11,344	508	14,053	
Receipts from Loan Payments		11,643	4,254	8,042	23,939	
Payments to Suppliers and for Benefits and Claims	(6,879)	(521)	(119)	(23,589)	(31,108)	(109,532)
Payments for Employee Services	(1,355)	(181)	(171)	(37,205)	(38,912)	(27,077)
Payments for Interfund Services Used	(829)			(1,233)	(2,062)	(12,257)
Payments for Lottery Prizes	(18,393)				(18,393)	
Payments for Loans Originated		(11,591)	(20,598)	(6,908)	(39,097)	
Other Receipts (Payments)	(31)		(45)	249	173	997
Net Cash Provided (Used) by Operating Activities	116,546	2,347	(4,849)	(10,826)	103,218	13,790
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets				(239)	(239)	(4,146)
Sales of Capital Assets				13	13	887
Payments on Capital Lease Obligations				(9)	(9)	(3,886)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(235)	(235)	(7,145)
Cash Flows From Noncapital Financing Activities:						
Transfers In				1,599	1,599	1,097
Transfers Out	(120,079)	(26)	(25)	(733)	(120,863)	(511)
Received on Interfund Borrowing				2	2	
Issuance of Bonds		11,573	27,790		39,363	
Payments on Bonds and Notes		(15,135)	(415)		(15,550)	
Bond Issuance Costs		(117)	(274)		(391)	
Interest Payments on Bonds and Notes		(426)	(1,188)		(1,614)	
Other Noncapital Financing Activities		5		175	180	
Net Cash Provided (Used) by Noncapital Financing Activities	(120,079)	(4,126)	25,888	1,043	(97,274)	586
Cash Flows From Investing Activities:						
Investment Income	262	3,028	1,351	3,397	8,038	1,361
Purchase of Investment Securities		(12,381)	(36,846)		(49,227)	
Proceeds from the Sale and Maturity of Investments		13,326	9,818		23,144	
Security Lending Rebate Fees	(38)			(274)	(312)	(230)
Net Cash Provided (Used) by Investing Activities	224	3,973	(25,677)	3,123	(18,357)	1,131
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(3,309)	2,194	(4,638)	(6,895)	(12,648)	8,362
Cash and Cash Equivalents at Beginning of Year	8,899	5,142	7,839	98,006	119,886	53,173
Cash and Cash Equivalents at End of Year	\$ 5,590	\$ 7,336	\$ 3,201	\$ 91,111	\$ 107,238	\$ 61,535

continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Major			Nonmajor Enterprise Funds		
	Lottery	Clean Water State Revolving	Drinking Water State Revolving			
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 116,477	\$ 4,601	\$ 11,435	\$ (12,136)	\$ 120,377	\$ 3,691
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	3	14	30	166	213	7,761
Bad Debt Expense				431	431	
Interest Expense		393	1,674	1	2,068	336
Miscellaneous Nonoperating Items	21	(5)		348	364	22
Decrease/(Increase) in Assets:						
Accounts Receivable	50			(368)	(318)	381
Interest, Dividends & Penalties Receivable		49	(95)	(12)	(58)	
Loans and Notes Receivable		(2,655)	(17,839)	347	(20,147)	
Due From Other Funds				(405)	(405)	471
Due From Component Units				10	10	73
Due From Other Governments		(55)	10	65	20	28
Inventory				(446)	(446)	(28)
Deferred Fiscal Charges and Other Assets	(11)			6	(5)	38
Increase/(Decrease) in Liabilities:						
Accounts Payable	(94)	12	(62)	(1,336)	(1,480)	303
Accrued Liabilities	9	(2)	1	41	49	50
Compensated Absences Payable	17	(5)	(3)	67	76	288
Due To Other Funds	23			(22)	1	(140)
Due to Component Units				1	1	1
Deferred Revenue	52			178	230	264
Escrow Payable	3				3	
Policy Claim Liabilities				1,849	1,849	251
Other Liabilities	(4)			389	385	
Net Cash Provided (Used) by Operating Activities	<u>\$ 116,546</u>	<u>\$ 2,347</u>	<u>\$ (4,849)</u>	<u>\$ (10,826)</u>	<u>\$ 103,218</u>	<u>\$ 13,790</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets						188
Capital Lease Obligations Entered Into						(4,215)
Transfers In (Out) of Fixed Assets						1,514

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

STATE OF SOUTH DAKOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005
(Expressed in Thousands)

Assets	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents	\$ 3,099	\$ 16,781	\$ 17,308
Receivables:			
Employer	2,377		
Employee	10,627		
Benefits	123		
Unsettled Investment Sales	115,837		
Taxes Receivable			26,413
Due From Other Funds		126	
Due From Other Governments			480
Investment Income	20,548	554	55
Other		234	106
Total Receivables	<u>149,512</u>	<u>914</u>	<u>27,054</u>
Investments, at Fair Value:			
Fixed Income	1,702,869		
Equities	3,861,616		
Real Estate	418,213		
Private Equity	264,082		
Pooled Investment Funds		116,325	
Money Market		2	
Total Investments	<u>6,246,780</u>	<u>116,327</u>	<u>0</u>
Securities Lending Collateral	384,728	17,848	
Properties, at Cost	75	12,853	
Accumulated Depreciation	(42)		
Other Assets	13	36	
Total Assets	<u>6,784,165</u>	<u>164,759</u>	<u>\$ 44,362</u>
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,654	318	\$ 7,606
Due To Other Funds	36	126	
Due To Other Governments			36,756
Compensated Absences Payable	240		
Securities Sold, But Not Yet Purchased, at Fair Value	182,008		
Unsettled Investment Purchases	14,064		
Securities Lending Collateral Liability	384,728	17,848	
Total Liabilities	<u>583,730</u>	<u>18,292</u>	<u>\$ 44,362</u>
Net Assets			
Held in Trust For:			
Pension Benefits	6,200,435		
Individuals and Other Governments		146,467	
Total Net Assets	<u>\$ 6,200,435</u>	<u>\$ 146,467</u>	

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

STATE OF SOUTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

<u>Additions</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Contributions:		
Employee	\$ 89,159	\$
Employer	77,475	
From Participants		217
From Clients and Inmates		6,467
Total Contributions	<u>166,634</u>	<u>6,684</u>
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	545,470	2,425
Interest	80,246	6,743
Dividends	89,798	1,456
Real Estate	15,289	
Investment Activity Income	<u>730,803</u>	<u>10,624</u>
Less Investment Activity Expenses	<u>(11,145)</u>	
Net Investment Activity Income	719,658	10,624
<i>From Security Lending Activities</i>		
Security Lending Income	8,312	373
Security Lending Expenses	(6,891)	(343)
Net Security Lending Activity Income	<u>1,421</u>	<u>30</u>
Net Investment Income (Loss)	<u>721,079</u>	<u>10,654</u>
Escheated Property		36
Gain from Sale of Assets		1,865
Miscellaneous Income		3,929
Transfers From Other Funds	790	15
Total Additions	<u>888,503</u>	<u>23,183</u>
<u>Deductions</u>		
Benefits	219,923	
Refunds of Contributions	20,841	
Distribution to School Districts		4,297
Payments made for Trust Purposes		7,331
Administrative Expenses	2,844	4
Total Deductions	<u>243,608</u>	<u>11,632</u>
Net Increase (Decrease)	644,895	11,551
Net Assets Held In Trust		
Beginning of Year	<u>5,555,540</u>	<u>134,916</u>
End of Year	<u>\$ 6,200,435</u>	<u>\$ 146,467</u>

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

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2005
(Expressed in Thousands)

	Business-Type Activities						Total
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Science and Technology Authority	Higher Education	
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 127,645	\$ 1,413	\$ 519	\$ 231	\$ 3,096	\$ 103,146	\$ 236,050
Receivables:							
Interest and Dividends	8,226	101	168	2	90	2,141	10,728
Primary Government						1,566	1,566
Other Governments						7,823	7,823
Loans and Notes (Net)	25,041	905	624	225		8,433	35,228
Other (Net)			2		4	7,789	7,795
Investments	123,365	1,152				9,345	133,862
Inventory	2,583					6,273	8,856
Securities Lending Collateral					961	6,027	6,988
Deferred Fiscal Charges and Other Assets			67		1	1,677	1,745
Total Current Assets	286,860	3,571	1,380	458	4,152	154,220	450,641
Investments	319,822	1,155	301			168,883	490,161
Restricted Assets:							
Cash and Cash Equivalents		500			10,800	10,389	21,689
Investments		6,135				42,626	48,761
Other						32,220	32,220
Capital Assets:							
Land and Other Non-depreciable Assets						14,310	14,310
Property, Plant and Equipment	3,476				33	590,948	594,457
Accumulated Depreciation	(2,373)				(14)	(290,709)	(293,096)
Construction in Progress						48,991	48,991
Total Capital Assets	1,103				19	363,540	364,662
Other Noncurrent Assets (net)	1,064,280	14,797	2,341	873		14,012	1,096,303
Total Assets	1,672,065	26,158	4,022	1,331	14,971	785,890	2,504,437
Liabilities							
Current Liabilities:							
Accounts Payable and Other Liabilities	4,073	9	2		13	11,519	15,616
Payable To:							
Primary Government	28					719	747
Escrow Payable	21,572	91					21,663
Bonds, Notes and Leases Payable	27,253	885	915	24		9,229	38,306
Claims, Judgments and Compensated Absences	145				3	9,875	10,023
Accrued Interest Payable	9,477	208	34	8		1,971	11,698
Deferred Revenue			50			1,223	1,273
Securities Lending Collateral Liability					961	6,027	6,988
Other Current Liabilities		49				13,981	14,030
Total Current Liabilities	62,548	1,242	1,001	32	977	54,544	120,344
Noncurrent Liabilities:							
Bonds, Notes and Leases Payable	1,291,484	15,873	2,290	1,030		124,267	1,434,944
Claims, Judgments and Compensated Absences	132				2	23,412	23,546
Federal Capital Contribution Refundable Advance						34,545	34,545
Other Noncurrent Liabilities		1,588				14,365	15,953
Total Liabilities	1,354,164	18,703	3,291	1,062	979	251,133	1,629,332
Net Assets							
Invested In Capital Assets, Net of Related Debt	1,103				19	245,299	246,421
Restricted For:							
Debt Service	316,798	6,635				3,187	326,620
Higher Education - Expendable						79,488	79,488
Higher Education - Nonexpendable						159,664	159,664
Indemnification					10,000		10,000
Mine Closure					800		800
Unrestricted		820	731	269	3,173	47,119	52,112
Total Net Assets	\$ 317,901	\$ 7,455	\$ 731	\$ 269	\$ 13,992	\$ 534,757	\$ 875,105

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

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Business-Type Activities						Total
	Housing Authority	Finance Authority	CREP Program	Value Added Finance Authority	Science and Technology Authority	Higher Education	
Operating Revenue:							
Tuition and Fees (net of discounts and allowances for scholarships of \$14,855)	\$	\$	\$	\$	\$	\$ 115,883	\$ 115,883
Use of Money and Property	104,063	1,066	275	36	1		105,441
Sales and Services (net of discounts and allowances for scholarships of \$5,563)						67,210	67,210
Administering Programs						96,913	96,913
Other Revenue	8,816		1	1	18	33,092	41,928
Total Operating Revenue	<u>112,879</u>	<u>1,066</u>	<u>276</u>	<u>37</u>	<u>19</u>	<u>313,098</u>	<u>427,375</u>
Operating Expenses:							
Personal Services and Benefits	2,806		43		281	266,519	269,649
Travel	245				60	11,098	11,403
Contractual Services	6,381	65	28		364	60,866	67,704
Supplies and Materials	129				11	55,616	55,756
Grants and Subsidies	26,055					26,788	52,843
Other	441	2		20	6	2,431	2,900
Interest	58,100	815	222			20	59,157
Depreciation/Amortization	2,703		16		8	23,045	25,772
Total Operating Expenses	<u>96,860</u>	<u>882</u>	<u>309</u>	<u>20</u>	<u>730</u>	<u>446,383</u>	<u>545,184</u>
Operating Income (Loss)	16,019	184	(33)	17	(711)	(133,285)	(117,809)
Nonoperating Revenue (Expenses):							
Loss on Disposal of Assets						(1,400)	(1,400)
Interest Income			11	2	340	4,081	4,434
Interest Expense				(11)		(5,103)	(5,114)
Other Expense					(58)	(14,556)	(14,614)
State Aid from Primary Government						143,358	143,358
Federal Appropriation						6,708	6,708
Grant and Other Income				34	671	22,766	23,471
Total Nonoperating Revenue (Expenses)	<u>0</u>	<u>0</u>	<u>11</u>	<u>25</u>	<u>953</u>	<u>155,854</u>	<u>156,843</u>
Income (Loss) Before Capital Grants and Additions to Endowments	16,019	184	(22)	42	242	22,569	39,034
Capital Grants						11,583	11,583
Additions to Endowments						7,220	7,220
Change in Net Assets	16,019	184	(22)	42	242	41,372	57,837
Net Assets At Beginning of Year, restated	301,882	7,271	753	227	13,750	493,385	817,268
Net Assets at End of Year	<u>\$ 317,901</u>	<u>\$ 7,455</u>	<u>\$ 731</u>	<u>\$ 269</u>	<u>\$ 13,992</u>	<u>\$ 534,757</u>	<u>\$ 875,105</u>

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



NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	52
A. Basis of Presentation	52
B. Reporting Entity	52
C. Government-Wide and Fund Financial Statements	52
D. Measurement Focus, Basis of Accounting and Financial Statement Presentation	53
E. Budgetary Accounting	55
F. Assets, Liabilities, and Net Assets/Fund Balance	55
G. Compensated Absences	57
H. Lottery Security Deposits	57
I. Interfund Activity and Balances	57
2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS	57
3. CASH, DEPOSITS, AND INVESTMENTS	58
4. DISAGGREGATION OF RECEIVABLES AND PAYABLES	64
5. INTERFUND TRANSACTIONS.....	66
6. CAPITAL ASSETS	67
7. RETIREMENT PLANS.....	69
8. DEFERRED COMPENSATION PLAN	71
9. SPECIAL PAY PLAN	72
10. COMMITMENTS	72
11. SELF-INSURANCE	73
12. OPERATING LEASES	75
13. LONG-TERM LIABILITIES.....	76
14. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES	86
15. DEFICIT FUND EQUITY	86
16. VOCATIONAL TECHNICAL INSTITUTES	86
17. RELATED PARTY TRANSACTIONS	87
18. CONTINGENCIES AND LITIGATION.....	87
19. SUBSEQUENT EVENTS.....	88

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

The following entities are reported as discretely presented component units:

- Conservation Reserve Enhancement Program (CREP)
- South Dakota Finance Authority
- South Dakota Housing Authority
- Value Added Finance Authority
- Science and Technology Authority
- Higher Education (Affiliated organizations of Higher Education were excluded from the notes to the financial statements.)

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

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

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary, Fiduciary, and Similar Component Units Financial Statements

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

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

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

The State reports the following major proprietary funds:

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

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

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

In addition, the State reports the following fund types:

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

E. Budgetary Accounting

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

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

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

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2005 totaled \$35,029,000.

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

Cash and Cash Equivalents and Investments

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

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

Receivables

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

Inventories

Inventories reported in the governmental fund types are reported at cost using the moving average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the Higher Education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2005 market price. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by deferred revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2005, the commodities inventory was reported in the amount of \$713,000.

Capital Assets

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

All land is capitalized regardless of cost. Land improvements are capitalized when the cost of the improvement is \$50,000 or more. Buildings and building improvements are capitalized when the cost is \$100,000 or more. Equipment is capitalized

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

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

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

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$7,507,620 and \$379,085, respectively, as of June 30, 2005. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

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

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

Net Assets/Fund Balances

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

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

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

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

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

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

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2005 was \$42,683,000 and is reported as unreserved designated equity in the General Fund.

G. Compensated Absences

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

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

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2005, the amount of certificate of deposits being held by the Lottery was \$395,396 and is included in cash and cash equivalents on the balance sheet. The amount of \$6,086,270 was in the form of surety bonds, or irrevocable letters of credit and is not reported on the balance sheet.

I. Interfund Activity and Balances

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

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

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

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Fund Reporting Change

In fiscal year 2005, the Science and Technology Authority was reclassified from a special revenue fund of the primary government to a discretely presented component unit enterprise fund since the board was appointed in fiscal year 2005 and the state can no longer exercise administrative control over the entity. This caused the beginning equity reported within the nonmajor governmental funds to decrease by \$13,750,000.

Restatements-Primary Government

The beginning fund balance for the Energy Conservation Fund, reported as a special revenue fund, was increased by \$885,000 for the restatement of liabilities reported within this fund in FY04. These liabilities should have been reported within the Future Fund, also reported as a special revenue fund, and accordingly the beginning fund balance within this fund was decreased by \$885,000 for the restatement of the liabilities.

The beginning fund balance for the Railroad Trust Fund, reported as a special revenue fund, was increased by \$1,106,000 for the restatement of expenditures reported within this fund in FY04.

The beginning net assets balance reported for governmental activities in the government-wide Statement of Activities was increased by \$9,461,000 as follows: \$6,944,000 for the restatement of compensated absences payable and \$2,517,000 for the restatement of infrastructure.

Restatements-Component Units

The beginning net assets balance reported for Finance Authority was decreased by \$121,000 for the restatement of liabilities.

Recently Issued Pronouncements

In November 2003, the GASB issued Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. The statement establishes accounting and financial reporting standards for impairment of capital assets. The requirements of this GASB Statement No. 42 are effective the State's fiscal year 2006 financial statements.

In April 2004, the GASB issued Statement No.43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). The statement establishes uniform financial reporting standards for OPEB plans. The requirements of this GASB Statement No, 43 are effective for the State's fiscal year 2007 financial statements.

In May 2004, the GASB issued Statement No. 44, Economic Condition Reporting: The Statistical Section. The statement changes the requirements for the statistical section of a government's comprehensive annual financial report. The requirements of this GASB Statement No. 44 are effective for State's fiscal year 2006 financial statements.

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The requirements of this GASB Statement No. 45 are effective for State's fiscal year 2008 financial statements.

In December 2004, the GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation. The statement enhances the usefulness and comparability of net asset information reported by state and local governments clarifying the meaning of the phrase 'legally enforceable' as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets. The requirements of this GASB Statement No. 46 are effective for State's fiscal year 2006 financial statements.

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

3. CASH, DEPOSITS, AND INVESTMENTS

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

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by \$10,257,000 for deficit cash balances that existed in various state funds at June 30, 2005, and is reported as an interfund receivable.

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

A. Primary Government

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 86.8% of the Cash Flow Portfolio) and discretely presented component units (comprising 13.2% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Cement Commission Fund, Building Authority CREP Program and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2005, pledged collateral for one depository did not equal at least 100 % of the total public deposits in excess of depository insurance. As a result, \$58,039 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2005, the Retirement Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolios were exposed to custodial credit risk of \$41,853,619.

At June 30, 2005, the Trust Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Trust Portfolios were exposed to custodial credit risk of \$230,684.

At June 30, 2005, the Other Funds had bank balances that are not collateralized or covered by depository insurance. As a result, the Other Funds were exposed to custodial credit risk of \$936,646.

Investments

Custodial Credit Risk. At June 30, 2005, the following investments were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in South Dakota's name (expressed in thousands):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Total Investments	\$	\$ 10,350	\$	\$ 119,572
Security Lending Collateral	52,703	384,610	32,536	
Total Fair Value	\$ 52,703	\$ 394,960	\$ 32,536	\$ 119,572

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

Investment Type	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$ 24,754	1.29	\$ 112,076	9.14	\$ 7,640	11.42	\$ 10,596	.38
U.S. Treasury strips			27,518	17.73				
U.S. Treasury inflation protected securities					22,479	3.30		
U.S. agencies	229,961	1.76	30,700	13.33	34,555	7.12		
U.S. Government-backed Loans					4,704	10.62		
Investment grade corporate	352,891	1.79	259,025	3.76	48,614	4.45		
High-yield corporates			434,237	3.61	12,866	3.50		
Mortgage-backed securities			305,094	2.41	112,047	2.48		
Mutual funds			209,106	1.49	31,034	4.30		
Municipal bonds					117,590	5.29		
Commercial paper	24,968	.04			17,954	.08		
Bank debt			21,234	1.00				
Investment agreements							108,976	15.77
Total	<u>\$ 632,574</u>		<u>\$ 1,398,990</u>		<u>\$ 409,483</u>		<u>\$ 119,572</u>	
Portfolio modified duration		1.69		3.74		4.28		14.41

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2005, the portfolios held the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government, which are not considered to have credit risk. The investments are grouped as rated by Moody's Investors Service (expressed in thousands):

Moody's Rating	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
	Fair Value	Fair Value	Fair Value	Fair Value
Aaa	\$ 429,810	\$ 429,111	\$ 255,140	\$ 38,225
Aa	139,552	59,410	39,987	70,751
A	126,201	86,228	24,441	
Baa	19,544	125,373	14,195	
Ba		195,691	11,564	
B		55,415	514	
Caa		22,885		
Ca		3,012		
C		110		
P-1	24,968		19,462	
Unrated		100,721	37,464	64,784
Total	<u>\$ 740,075</u>	<u>\$ 1,077,956</u>	<u>\$ 402,767</u>	<u>\$ 173,760</u>

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement and Trust Portfolios' exposure to foreign currency risk at June 30, 2005, are as follows (in U.S. dollar fair value, expressed in thousands):

Currency	Retirement Portfolios			Trust Portfolios			
	Equities U.S.Dollar Fair Value	Fixed Income U.S. Dollar Fair Value	Cash U.S Dollar Fair Value	Total	Equities U.S.Dollar Fair Value	Cash U.S Dollar Fair Value	Total
Australian Dollar	\$		\$ 337	\$ 337			
Bermuda Dollar		1,576		1,576			
Brazilian Real	835			835			
British Pound	352,227		1,179	353,406	8,078	41	8,119
Canadian Dollar	49,608		180	49,788			
Chinese Renminbi	198		5	203			
Danish Kroner	3,252		213	3,465			
Euro	424,629	8,316	29,407	462,352	8,972	159	9,131
Hong Kong Dollar	1,042		13	1,055			
Hungarian Forint	223			223			
Israeli Shekel	186	659	5	850			
Japanese Yen	222,430		1,817	224,247	3,464		3,464
Korean Won	35,676			35,676			
Mexican Peso		1,222		1,222			
New Zealand Dollar	1,539			1,539			
Norwegian Krone	13,797		276	14,073			
Philippines Peso	312			312			
Singapore Dollar	8,721		436	9,157			
Swedish Krona	8,770		206	8,976			
Swiss Franc	148,136		7,779	155,915	4,235	31	4,266
Taiwan Dollar	645			645			
Total Fair Value	\$ 1,272,226	\$ 11,773	\$ 41,853	\$ 1,325,852	\$ 24,749	\$ 231	\$ 24,980

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

Securities Lending Transactions

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

At year-end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC. The contract with the lending agent requires the agent to indemnify SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

All securities loans can be terminated on demand by either SDIC or the borrower. The term to maturity of the securities loans is matched with the term to maturity of the investments of the cash collateral by investing in a variety of short-term investments. The ability to pledge or sell collateral securities can be made without borrower default. In addition, no restrictions exist on the amount of the loans.

Derivative Financial Instruments in Retirement 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, 2005 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 2005	Long	320	\$95,306

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 raises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure. Each S&P 500 contract is defined as 250 times the price of the S&P 500 index. Each note and bond contract is defined as \$100,000 par value of a 6% U.S. Treasury security adjusted for duration.

The hedging guidelines of the SDRS arbitrage portfolios managed by the SDIC provide that stock and other noncash considerations to be received may be hedged through the use of options, short sales, or when-and-if issued sales. The two arbitrage portfolios had short sales valued at \$182,007,945 as of June 30, 2005. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

The SDIC also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations. The SDIC does not engage in foreign currency speculation. The contracts do not subject SDRS to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. The unrealized gain on foreign exchange forward contracts as of June 30, 2005 was \$10,999,888. This amount does not include investments with outside managers, which may also enter into foreign exchange forward contracts. The total fair value of investments in real estate and private equity limited partnerships as of June 30, 2005 was \$678,029,112. The total fair value of global equity investments managed by outside managers was \$196,444,193.

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

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities in the form of GNMA's, FHLMC's, and FNMA's. The fair value of these securities as of June 30, 2005 was \$385,695,323. These securities may be subject to prepayment by the mortgagees, which may reduce the fair value of these securities. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund. The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the plan's portfolio mix. There were no futures contracts outstanding at June 30, 2005.

The Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2005 was \$2,560,368. The SDIC is using this investment to enhance fixed returns.

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2005 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$950,247.

Investments

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The component units do not have investment policies for custodial credit risk. At June 30, 2005, investments in the amount of \$10,208,904 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. Investments of the Housing Development Authority Capital Reserve accounts must have an average maturity within 5 years, with 15% thereof within two years, from the date of purchase. Investments of the Mortgage Reserve accounts must mature within 5 years from the date of purchase. The Housing Authority assumes that its callable investments will not be called. The Housing Authority invests in mortgage pass-through securities issued by Fannie Mae (Federal National Mortgage Association), Ginnie Mae (Government National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk.

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

As of June 30, 2005, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasuries notes	\$ 33,015	\$ 993	\$ 21,078	\$ 10,944	\$
U.S. Treasury strips	893		382	511	
U.S. Treasury bonds	301			301	
U.S. Treasury inflation protected securities	1,101			1,101	
U.S. agencies	270,329	44,274	127,235	55,792	43,028
Investment grade corporate	213		142	71	
Mutual funds	107,491	107,491			
State Obligations	12,455	663	7,467	4,325	
Investment agreements	101,232	95,894	363		4,975
Total	\$ 527,030	\$ 249,315	\$ 156,667	\$ 73,045	\$ 48,003

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

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

As of June 30, 2005, the Housing Development Authority and the Economic Development Finance Authority's investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
AAA	\$ 484,815
AA	5,530
A	439
Unrated	345
Total Fair Value	\$ 491,129

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units place no limit on the amounts that they may invest in any one issuer. As of June 30, 2005, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (17.64%), Trinity Plus Funding Company Investment agreement (15.7%), Federal National Mortgage Association (15.58%), and Federal Home Loan Mortgage Corporation (12.77%).

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

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

	Governmental Activities							Total
	General Fund	Transportation Fund	Social Services	Dakota Cement	Education	Non-major	Internal	
			Federal Fund	Trust Fund	Enhancement Trust Fund	Governmental Funds	Service Funds	
Taxes Receivable	\$89,559	\$ 13,347	\$	\$	\$	\$ 5,116	\$	\$108,022
Allowance	(4,541)	(10)				(87)		(4,638)
Accounts Receivable	4,223	464	4,618			20,895	284	30,484
Allowance	(340)					(27)		(367)
Unsettled Investment Sales				10,069	12,492	5,247		27,808
Due From Other Governments	851	26,392	33,731			60,695	104	121,773
Allowance	(160)							(160)
Interest Receivable	2,033	586	1	1,389	2,332	1,916	362	8,619
Current Loans and Notes		175				991		1,166
Allowance						(259)		(259)
Non-current Loans and Notes		458				22,816		23,274
Allowance						(60)		(60)
Due From Fiduciary Funds	28					75	59	162
Receivables, net	<u>\$91,653</u>	<u>\$ 41,412</u>	<u>\$ 38,350</u>	<u>\$ 11,458</u>	<u>\$ 14,824</u>	<u>\$ 117,318</u>	<u>\$ 809</u>	<u>\$315,824</u>

	Business-type Activities				Total
	Lottery Fund	Drinking Water State Revolving Fund	Clean Water State Revolving Fund	Non-major Enterprise Funds	
Accounts Receivable	\$ 4,809	\$	\$	\$ 3,724	\$ 8,533
Allowance	(15)			(2,195)	(2,210)
Due From Other Governments		159	541	141	841
Interest Receivable	59	1,611	1,268	552	3,490
Current Loans Receivable		6,255	3,000	3,205	12,460
Allowance				(115)	(115)
Noncurrent Loans Receivable		73,927	65,973	31,860	171,760
Allowance				(2,157)	(2,157)
Receivables, net	<u>\$ 4,853</u>	<u>\$ 81,952</u>	<u>\$ 70,782</u>	<u>\$ 35,015</u>	<u>\$ 192,602</u>

B. Accounts Payable and Other Current Liabilities

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

	Governmental Activities						Total	
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds		Internal Service Funds
Payroll and Withholdings	\$ 8,869	\$ 3,929	\$ 1,537	\$	\$	\$ 7,599	\$ 1,659	\$ 23,593
Accounts Payable	7,758	36,162	2,265			21,510	2,274	69,969
Medicaid Claims	13,239		26,688			5,285		45,212
Unsettled Investment Purchases				15,914	16,589	4,532		37,035
Due to Other Governments	2,030	185	69			23,542		25,826
Shared Revenue Distribution	20,678					12,160		32,838
Claims Payable							8,751	8,751
Due to Fiduciary Funds	50					64		114
Total	\$52,624	\$ 40,276	\$ 30,559	\$ 15,914	\$ 16,589	\$ 74,692	\$12,684	\$243,338

	Business-type Activities				Total
	Lottery Fund	Drinking Water State Revolving Fund	Clean Water State Revolving Fund	Nonmajor Enterprise Funds	
Payroll and Withholdings	\$ 93	\$ 11	\$ 13	\$ 414	\$ 531
Accounts Payable	1,027	122	76	833	2,058
Due to Fiduciary Funds				12	12
Escrow Payable	46				46
Claims Payable				2,419	2,419
Other Liabilities	437				437
Total	\$ 1,603	\$ 133	\$ 89	\$ 3,678	\$ 5,503

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2005 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

Due To	Due From									Total
	General Fund	Transportation Fund	Social Services Federal	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Non-major Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$	\$ 5,760	\$ 15,005	\$ 11,823	\$ 469	\$ 3	\$ 6	\$ 30	\$ 33,096
Transportation Fund	139		19		1,013	8		304		1,483
Social Services Fund					4					4
Non-major Governmental Funds	384	99	218		3,610	4,497	22	75	72	8,977
Non-major Enterprise Funds	485	6	16		101			58		666
Internal Service Funds	1,867	1,005	550		2,268	82	126	669	59	6,626
Fiduciary Funds	49				64		12		1	126
Total	\$ 2,924	\$ 1,110	\$ 6,563	\$ 15,005	\$ 18,883	\$ 5,056	\$ 163	\$ 1,112	\$ 162	\$ 50,978

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

Advances between funds also existed at June 30, 2005, which are not shown in the above table. These are amounts owed between funds that are not due within one year and include \$561,000 due from the Aeronautics Fund, reported as a nonmajor governmental fund to the General Fund for the reimbursement of state aircraft maintenance costs.

B. Interfund Transfers

Transferred from	Transferred To						Total Transferred To
	General Fund	Transportation Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$ 220	\$ 16,042	\$ 1,450	\$ 1,098	\$	\$ 18,810
Transportation Fund	1,937		155				2,092
Dakota Cement Trust Fund	12,633						12,633
Education Enhancement Trust Fund	15,005						15,005
Non-major Governmental Funds	177,358	4,543	13,332	149		805	196,187
Lottery Fund	7,663		111,658				119,321
Clean Water State Revolving Fund			26				26
Drinking Water State Revolving Fund			25				25
Non-major Enterprise Funds			734				734
Internal Service Funds	295		216		2		513
Total Transferred From	214,891	4,763	142,188	1,599	1,100	805	365,346
Transfers of Capital Assets from General Capital Assets To: Internal Service Funds							1,514
Total	\$ 214,891	\$ 4,763	\$ 142,188	\$ 1,599	\$ 1,100	\$ 805	\$ 366,860

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due; and, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In the fund financial statements, total transfers out are \$1,514,000 lower than total transfers in because of the treatment of assets transferred between proprietary funds and governmental funds. No amounts were reported in the governmental fund financial statements because the amount did not involve the transfer of financial resources.

In fiscal year 2005, \$143,358,000 of General Fund appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in both General Fund statements and the governmental activities column of the Statement of Activities. They are reported as revenues in the component units column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2005 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 64,083	\$ 4,295	\$ 893	\$ 67,485
Land Improvements	1,775			1,775
Land Improvements - Roads	559,379	773		560,152
Construction in Progress	186,229	175,593	95,497	266,325
Total Capital Assets Not Being Depreciated	811,466	180,661	96,390	895,737
Capital Assets Being Depreciated:				
Land Improvements	8,063	3,856	1	11,918
Buildings	251,193	13,598		264,791
Equipment	125,183	20,471	7,764	137,890
Vehicles	93,075	13,430	8,333	98,172
Infrastructure	2,669,232	85,234	27,402	2,727,064
Total Capital Assets Being Depreciated	3,146,746	136,589	43,500	3,239,835
Less: Accumulated Depreciation for:				
Land Improvements	2,454	509	1	2,962
Buildings	97,910	7,442		105,352
Equipment	71,527	9,697	6,027	75,197
Vehicles	53,277	9,948	6,766	56,459
Infrastructure	1,080,988	48,065	10,486	1,118,567
Total Accumulated Depreciation	1,306,156	75,661	23,280	1,358,537
Total Capital Assets Being Depreciated, Net	1,840,590	60,928	20,220	1,881,298
Total Governmental Activities, Net	\$ 2,652,056	\$ 241,589	\$ 116,610	\$ 2,777,035
Business-Type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 354	\$ 81	\$	\$ 354
Construction in Progress		81		81
Total Capital Assets Not Being Depreciated	354	81		435
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	2,153	170	23	2,300
Total Capital Assets Being Depreciated	7,085	170	23	7,232
Less: Accumulated Depreciation for:				
Land Improvements	373	27		400
Buildings	2,426	88		2,514
Equipment	1,883	54	14	1,923
Total Accumulated Depreciation	4,682	169	14	4,837
Total Capital Assets Being Depreciated, Net	2,403	1	9	2,395
Total Business-Type Activities, Net	\$ 2,757	\$ 82	\$ 9	\$ 2,830

Depreciation was charged to the function of government as follows:

	<u>Amount</u>
Governmental Activities	
Unallocated	\$ 53
General Government	9,090
Health and Human Services	2,097
Law, Justice, and Public Protection	5,667
Agriculture and Natural Resources	2,470
Transportation	55,183
Education	1,039
Economic Resources	62
Total Governmental Activities	<u>\$ 75,661</u>
Business-Type Activities	
Enterprise Funds	<u>\$ 169</u>

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2005 (expressed in thousands):

	<u>Beginning Balance (Revised)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 4,911	\$ 364	\$ 118	\$ 5,157
Construction in Progress	42,064	36,762	29,835	48,991
Works of Art and Historical Treasures	7,885	2		7,887
Total Capital Assets Not Being Depreciated	<u>54,860</u>	<u>37,128</u>	<u>29,953</u>	<u>62,035</u>
Capital Assets Being Depreciated:				
Land Improvements	13,948	1,016	286	14,678
Infrastructure	18,614	3,258		21,872
Buildings	350,428	34,412	168	384,672
Equipment and Other Assets	156,082	13,560	4,564	165,078
Total Capital Assets Being Depreciated	<u>539,072</u>	<u>52,246</u>	<u>5,018</u>	<u>586,300</u>
Less: Accumulated Depreciation for:				
Land Improvements	5,701	644	73	6,272
Infrastructure	9,127	742		9,869
Buildings	151,517	11,457	62	162,912
Equipment and Other Assets	111,085	10,028	4,227	116,886
Total Accumulated Depreciation	<u>277,430</u>	<u>22,871</u>	<u>4,362</u>	<u>295,939</u>
Total Capital Assets Being Depreciated, Net	<u>261,642</u>	<u>29,375</u>	<u>656</u>	<u>290,361</u>
Total Higher Education Capital Assets, Net	<u>316,502</u>	<u>66,503</u>	<u>30,609</u>	<u>352,396</u>
South Dakota Housing Development Authority:				
Capital Assets Being Depreciated:				
Equipment	3,430	206	160	3,476
Less: Accumulated Depreciation for:				
Equipment	2,122	418	167	2,373
Total Capital Assets Being Depreciated, Net	<u>1,308</u>	<u>(212)</u>	<u>(7)</u>	<u>1,103</u>
Science and Technology Authority:				
Capital Assets Being Depreciated:				
Equipment		33		33
Less: Accumulated Depreciation for:				
Equipment		14		14
Total Capital Assets Being Depreciated, Net		<u>19</u>		<u>19</u>
Total Discretely Presented Component Units, Net	<u>\$ 317,810</u>	<u>\$ 66,310</u>	<u>\$ 30,602</u>	<u>\$ 353,518</u>

Foundations of Higher Education were excluded from the notes to the financial statements in fiscal year 2005 and as such the beginning balances in the capital asset note have been revised and will not tie to the ending amounts reported in fiscal year 2004.

C. Construction in Progress

The State has entered into contracts for the renovation and construction of buildings, structures, and infrastructure (highway projects). Constructions in progress at June 30, 2005 are as follow (expressed in thousands):

	<u>Amount</u>
Primary Government	
Governmental Activities	
Land Improvements	\$ 614
Buildings and Structures	26,722
Equipment	2,446
Infrastructure	236,543
Total Governmental Activities	<u>266,325</u>
Business- Type Activities	
Buildings and Structures	81
Total Primary Government	<u>\$ 266,406</u>
Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 342
Buildings and Structures	47,553
Infrastructure	1,096
Total Discretely Presented Component Units	<u>\$ 48,991</u>

7. RETIREMENT PLANS

South Dakota Retirement System, Plan Description: The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, defined benefit pension plan, 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, 2005, the number of participating governmental employers was:

School Districts	180
State of South Dakota	1
Board of Regents	1
Municipalities	140
Counties	63
Boards and Commissions	<u>77</u>
Total Employers	<u>462</u>

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

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2005. Fair values were determined based on closing market prices at June 30, 2005 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. Investments not traded on any exchange are valued at fair value based on estimates made by management. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Real estate is valued at market based upon annual appraisals. Purchases and sales are recorded as of the trade date.

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

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

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

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

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

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

Contributions during fiscal year 2005 totaling \$166,633,596 (\$89,158,629 employee and \$77,474,967 employer) were made in accordance with statutory rates. These contributions represent 13.8% 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 2004 and 2003 were \$74,854,496 and \$71,989,308 respectively.

SDRS is funded by fixed member and employer contributions at a rate established by state law. On an annual basis, an independent actuarial valuation of SDRS is made to determine the adequacy of the fixed contractually-required contributions to pay the normal cost, expenses and amortize the frozen unfunded actuarial accrued liability. The June 30, 2005 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers under GASB Statement No. 25.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at rates of 5% to 8%. As of June 30, 2005, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employers	Employees
2006	\$ 4	\$ 3,335
2007		2,037
2008		1,460
2009		1,030
2010		650
Later		1,345
	4	9,857
Less interest		1,652
Total	\$ 4	\$ 8,205

South Dakota Cement Commission Retirement Plans: The South Dakota Cement Commission (SDCC) administers the South Dakota Cement Pension Trust Fund. The Fund consists of six defined benefit pension plans that cover all former employees of the State Cement Plant. The plans are noncontributory, single-employer, public employee retirement plans. The plans are actuarially funded, using the entry age normal, level percent of pay, funding method. The plans' funding policies provide for the unfunded actuarial accrued liability to be amortized as a level dollar over an open 20-year period. Based on this, the annual required contribution for 2005 is \$790,400.

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

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

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

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2005 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. At June 30, 2005 the fair value of net assets held in trust for pension benefits was \$40,499,830.

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

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2004. 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, 2004 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$2,717,190 and \$104,412, respectively. On June 30, 2004 participants in the plan consisted of the following:

Active Participants	73
Vested Terminated Participants	8
Retired Participants and Beneficiaries	201

Investments are carried at fair value to properly reflect asset values at June 30, 2004. Contributions are made by active life plan participants at 5% of their salaries. The Department of Labor has not contributed to the plan since 1984 and no future employer contributions are expected to be required, based on the actuarial assumptions used. The following is a schedule of funding progress (expressed in thousands):

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)
1998	\$ 54,377	\$ 41,298	131.7%	\$ 13,080	\$ 3,386	386.3%
1999	57,211	42,559	134.4	14,652	3,264	448.9
2000	59,370	44,456	133.5	14,914	3,036	491.3
2001	56,174	45,540	123.4	10,634	2,948	360.7
2002	57,914	46,442	124.7	11,472	2,957	388.0
2003	56,633	47,386	119.5	9,247	2,758	335.3
2004	62,477	48,597	128.6	13,880	2,717	510.8

8. DEFERRED COMPENSATION PLAN

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

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

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

9. SPECIAL PAY PLAN

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

Of the \$3,530,119 net assets available for plan benefits at June 30, 2005, \$1,978,645 was held in trust for employees of the State while the remaining \$1,551,474 represents the assets held in trust for employees of other jurisdictions.

10. COMMITMENTS

Construction and Other Commitments: At June 30, 2005 the Department of Transportation had contractual construction commitments of \$223,256,465 for various highway projects and maintenance commitments (including stockpile) of \$6,539,815. 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 \$130,797,212 for various water development projects. Financing for these future expenditures will be from approved federal grants, legislative appropriations, and a bond issue. These commitments relate to the following funds/programs:

Clean Water State Revolving Fund	\$73,023,149
Drinking Water State Revolving Fund	\$28,709,825
Water and Environment Fund Program	\$17,431,173
Federal Funds	\$11,633,065

The Building Authority has contracts and other construction commitments of \$16,268,718.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$42,123,869. Financing for these future expenditures will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of \$41,128,643. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
Value-Added Tourism Sub Fund	\$ 316,316
Value-Added Agriculture Sub Fund	\$ 357,810
REDI Fund Loans	\$14,199,549
SD Economic Development Authority	\$ 325,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	\$ 300,000
Economic Development Finance Authority, Pooled Bond Program Loan	\$ 5,000,000
Community Development Block Grant (CDBG)	\$14,959,487
Future Fund Program	\$ 5,670,481

The Petroleum Release Compensation Fund has commitments of \$4,900,000.

The State of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Gilt Edge Brohm Mine in Lawrence County. The State is required by law to pay 10% of the final costs of reclamation and remediation of the site, currently estimated to be \$45 million. The State's contribution to the costs of reclamation and remediation will come from the sums already expended from the Regulated Response Fund and from the cash deposit contributed by Brohm, together with interest earned on the cash deposit. The State has already spent approximately \$2.5 million from the Regulated Response Fund. The State had a cash balance of approximately \$5.8 million as of June 30, 2005 available for reclamation costs from the cash deposited by Brohm. After reclamation is completed, and after a holding period by the United States, the State will take control of the site. Costs incurred when the State takes control of the site cannot be anticipated at this time.

11. SELF-INSURANCE

A. Workers' Compensation Benefits and Unemployment Insurance

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

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$9,326,467 at June 30, 2005. The Workers' Compensation Fund liability at June 30, 2005 and the changes to the liability during fiscal years ended June 30, 2005 and 2004 listed on the following page were as follows (expressed in thousands):

	<u>FY2005</u>	<u>FY2004</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 14,946	\$ 16,693
Prior period adjustment for claims and claim adjustment expenses relating to prior fiscal years		(1,761)
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	905	638
Changes in provision for insured events of prior fiscal years	<u>1,053</u>	<u>2,438</u>
Total incurred claims and claim adjustment expenses	<u>1,958</u>	<u>3,076</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,042	890
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>1,835</u>	<u>2,172</u>
Total payments	<u>2,877</u>	<u>3,062</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 14,027</u>	<u>\$ 14,946</u>

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Internal Service Fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of fiscal year 2005, \$725,000 of the retained earnings balance in the Self-Insurance Fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2005 and the changes to the liability during fiscal years ended June 30, 2005 and 2004 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2005	FY2004	FY2005	FY2004
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 6,963	\$ 7,890	\$ 103	\$ 266
Incurred claims and claim adjustment expenses	63,561	57,944	2,987	1,605
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	55,736	50,981	2,566	1,502
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	6,963	7,890	103	266
Total payments	62,699	58,871	2,669	1,768
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 7,825	\$ 6,963	\$ 421	\$ 103

C. Public Entity Pool for Liability

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

All funds and agencies of the State participate in the PEPL fund. The PEPL fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund and agency based on the number of automobiles titled to each agency (for automobile liability) or approved full-time employees (for general tort liability). The PEPL fund initially limited claims to \$1,000,000 per occurrence, subject to limitations set forth in SDCL 3-22. The State claimed sovereign immunity for all other tort liabilities. A State Supreme Court opinion now allows noneconomic damages against employees of the State while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL Fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Excess of loss reinsurance was purchased for claims costs between \$100,000 and \$1,000,000. Beginning in FY2002, the excess of loss reinsurance amount was changed to claims costs between \$250,000 and \$1,000,000.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2005, \$7,105,007 of the retained earnings balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2005 and the changes to the liability during fiscal years ended June 30, 2005 and 2004 were as follows (expressed in thousands):

	<u>FY2005</u>	<u>FY2004</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,447	\$ 5,439
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	471	475
Changes in provision for insured events of prior fiscal years	<u>1,171</u>	<u>2,011</u>
Total incurred claims and claim adjustment expenses	<u>1,642</u>	<u>2,486</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	167	241
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>1,424</u>	<u>3,237</u>
Total payments	<u>1,591</u>	<u>3,478</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 4,498</u>	<u>\$ 4,447</u>

D. Risk Management

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

12. 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, 2005 (expressed in thousands):

Year Ending June 30,	Primary Government	Component Units	Total
2006	\$ 5,128	\$ 1,800	\$ 6,928
2007	4,493	1,651	6,144
2008	3,893	1,070	4,963
2009	3,077	580	3,657
2010	2,339	580	2,919
2011-2015	9,032	2,331	11,363
2016-2020	<u>2,719</u>	<u>2,217</u>	<u>4,936</u>
Total Minimum Payments	<u>\$ 30,681</u>	<u>\$ 10,229</u>	<u>\$ 40,910</u>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2005 was \$8,831,567 for the primary government and \$1,868,655 for component units.

13. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2005 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	\$ 343,885	\$ 12,635	\$ (14,460)	\$ 342,060	\$ 8,581
Less Deferred Issuance Costs	(2,428)	(69)	88	(2,409)	(92)
Less Deferred Loss on Refunding	(43)		19	(24)	(19)
Add Unamortized Premium	54		(5)	49	5
Net Revenue Bonds	341,468	12,566	(14,358)	339,676	8,475
Trust Certificates	37,575		(2,495)	35,080	2,615
Compensated Absences	41,320	24,582	(21,028)	44,874	23,753
Policy Claims Liability	4,447	1,642	(1,591)	4,498	1,153
Workers Compensation	15,292	1,958	(2,964)	14,286	2,255
Capital Leases	34,729	4,264	(4,580)	34,413	4,231
Escheat Property	2,772	1,942	(2,039)	2,675	1,739
Total Governmental Activities	477,603	46,954	(49,055)	475,502	44,221
Business-Type Activities					
Revenue Bonds	29,405	38,460	(14,929)	52,936	1,605
Less Deferred Issuance Costs		(214)	93	(121)	(9)
Less Deferred Loss on Refunding	(552)	(991)	141	(1,402)	(146)
Add Unamortized Premium		903	(44)	859	45
Net Revenue Bonds	28,853	38,158	(14,739)	52,272	1,495
Compensated Absences	1,032	508	(439)	1,101	577
Capital Leases	21		(8)	13	9
Total Business-Type Activities	29,906	38,666	(15,186)	53,386	2,081
Component Units					
Revenue Bonds	1,562,182	355,683	(461,835)	1,456,030	34,314
Less Deferred Issuance Costs	(519)	(367)	37	(849)	(43)
Less Deferred Loss on Refunding	(3,458)	(469)	382	(3,545)	(253)
Add Unamortized Premium	5,810	3,084	(293)	8,601	301
Net Revenue Bonds	1,564,015	357,931	(461,709)	1,460,237	34,319
Trust Certificates	4,085		(1,620)	2,465	1,680
Compensated Absences	31,535	14,982	(13,057)	33,460	9,979
Capital Leases	1,553	2,416	(969)	3,000	889
Rural Development Loans	2,189		(106)	2,083	110
Federal Portion of Perkins Loan Program	32,458	2,087		34,545	
Total Component Units	1,635,835	377,416	(477,461)	1,535,790	46,977
Total Long-Term Obligations	\$ 2,143,344	\$ 463,036	\$ (541,702)	\$ 2,064,678	\$ 93,279

The above table has been revised to no longer include policy claims liability relating to the Self Insurance internal service fund reported within governmental activities and the Health Insurance Risk Pool fund reported within business-type activities. The claims liability for these two funds does not include a long-term portion and should therefore not be included in the long-term liabilities note.

Revenue Bonds and Trust Certificates

A. Governmental Activities

Building Authority

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

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

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

Following are Building Authority bonds and trust certificates outstanding at June 30, 2005 (expressed in thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Bond Series:			
1996A	2016	5.000%-5.950%	\$ 60,921
1996C	2014	5.100%-5.300%	6,023
1996D	2011	5.300%	355
Less Deferred Charges			(68)
1999	2019	4.500%-6.500%	1,227
2003	2015	2.500%-5.000%	1,182
Add Premium on Bonds			49
2005A	2026	3.000%-4.650%	4,500
2005B	2026	3.000%-5.000%	8,135
Less Loss on Refunding			(24)
Total Bonds			<u>82,300</u>
Trust Certificate Series:			
1991A&B	2016	4.750%-6.750%	10,375
1993A&B	2017	6.300%-8.300%	24,705
Total Trust Certificates			<u>35,080</u>
Total			<u>\$ 117,380</u>

As of June 30, 2005, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,196	\$ 6,329	\$ 17,525
2007	11,634	5,697	17,331
2008	11,414	5,027	16,441
2009	10,785	4,391	15,176
2010	10,692	3,742	14,434
2011-2015	42,408	16,052	58,460
2016-2020	14,354	8,186	22,540
2021-2025	4,020	728	4,748
2026-2029	920	22	942
Total	<u>\$ 117,423</u>	<u>\$ 50,174</u>	<u>\$ 167,597</u>

Educational Enhancement Funding Corporation

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

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2005 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	\$ 130,177
2002B	2032	6.50%	129,540
Less Unamortized Discount			(2,341)
Total			<u>\$ 257,376</u>

As of June 30, 2005, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2006	\$	\$ 17,168	\$ 17,168
2007		17,168	17,168
2008		17,168	17,168
2009		17,168	17,168
2010	1,087	17,168	18,255
2011-2015	33,745	81,271	115,016
2016-2020	41,105	68,569	109,674
2021-2025	54,240	53,584	107,824
2026-2030	85,720	31,753	117,473
2031-2032	43,820	4,323	48,143
Total	<u>\$ 259,717</u>	<u>\$ 325,340</u>	<u>\$ 585,057</u>

B. Business-Type Activities

State Revolving Funds

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

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of \$2.5 million and \$1.2 million, respectively. If necessary, a legislative appropriation of \$1,200,000 is available for the CWSRF only.

The following is a schedule of outstanding bonds as of June 30, 2005 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1996A	2017	5.63%	\$ 100
2001	2022	4.00%-5.00%	4,116
2004	2017	2.00%-5.25%	11,390
Less Unamortized Deferred Amount of Refunding			(1,402)
Less Unamortized Bond Discount			(27)
Add Unamortized Bond Premium			174
Total			\$ 14,351
Drinking Water State Revolving Fund			
1998A	2019	4.40%-5.00%	\$ 5,335
2001	2022	4.00%-5.00%	4,925
2004	2025	2.00%-5.25%	27,070
Less Unamortized Bond Discount			(94)
Add Unamortized Bond Premium			685
Total			37,921
Total Revenue Bonds			\$ 52,272

As of June 30, 2005, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
Clean Water State Revolving Fund			
2006	\$ 1,165	\$ 591	\$ 1,756
2007	1,210	562	1,772
2008	1,240	526	1,766
2009	1,290	485	1,775
2010	1,335	438	1,773
2011-2015	6,040	1,399	7,439
2016-2020	2,380	463	2,843
2021-2025	945	72	1,017
Total	15,605	4,536	20,141
Drinking Water State Revolving Fund			
2006	440	1,733	2,173
2007	1,360	1,703	3,063
2008	1,400	1,657	3,057
2009	1,450	1,607	3,057
2010	1,505	1,551	3,056
2011-2015	8,530	6,744	15,274
2016-2020	10,625	4,503	15,128
2021-2025	9,970	1,782	11,752
2026-2030	2,051	51	2,102
Total	37,331	21,331	58,662
Total	\$ 52,936	\$ 25,867	\$ 78,803

C. Component Units

1. Housing Development Authority

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

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2005 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program			
	2006-2035	1.75%-8.50%	
Serial Bonds			\$ 327,368
Term Bonds			892,245
Plus Unamortized Premium			6,126
Less Unamortized Loss on Refunding			(1,416)
Total			<u>1,224,323</u>
Multifamily Housing Trust Funds			
	2006-2021	2.40%-5.15%	
Serial Bonds			22,100
Term Bonds			22,320
Less Unamortized Loss on Refunding			(1,035)
Total			<u>43,385</u>
Multifamily Housing Revenue Bonds			
Serial Bonds	2006-2034	2.33%-6.15%	180
Term Bonds			<u>23,188</u>
Total			<u>23,368</u>
Multifamily Mortgage Pass-Through Term Bonds			
	2010-2017	3.75%-8.50%	<u>13,251</u>
Multifamily Risk Sharing Bonds			
	2006-2043	3.45%-5.85%	
Serial Bonds			380
Term Bonds			<u>14,030</u>
Total			<u>14,410</u>
Total Bonds			<u>\$ 1,318,737</u>

As of June 30, 2005, debt service requirements for principal and interest for the Housing Development Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2006	\$ 27,253	\$ 57,579	\$ 84,832
2007	28,117	56,361	84,478
2008	29,102	55,358	84,460
2009	30,979	54,192	85,171
2010	32,388	52,909	85,297
2011-2015	182,787	241,915	424,702
2016-2020	203,133	193,614	396,747
2021-2025	211,087	141,076	352,163
2026-2030	207,632	84,380	292,012
2031-2035	276,981	40,861	317,842
2036-2040	2,620	18,840	21,460
2041-2043	82,983	10,548	93,531
Total	<u>\$ 1,315,062</u>	<u>\$ 1,007,633</u>	<u>\$ 2,322,695</u>

2. Building Authority

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

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

The following is a schedule of bonds outstanding for the CREP Program as of June 30, 2005 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2010	6.30%-6.50%	\$ 3,205

As of June 30, 2005, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2006	\$ 915	\$ 175	\$ 1,090
2007	970	115	1,085
2008	1,030	52	1,082
2009	260	10	270
2010	30	1	31
Total	\$ 3,205	\$ 353	\$ 3,558

3. South Dakota Economic Development Finance Authority

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

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

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2005, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$1,834,375.

The following is a schedule of outstanding bonds as of June 30, 2005 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1996A	2009-2016	5.90%-6.75%	\$ 1,320
1996C	2006	5.85%	115
1998A	2018	5.50%	685
1998B	2009	7.00%	160
1999	2009-2019	4.95%-5.50%	1,910
2003	2013	3.25%-5.25%	2,170
2004A	2011-2029	4.375%-6.00%	4,885
2004B	2011-2024	4.375%-5.95%	3,430
Total			\$ 14,675

As of June 30, 2005, debt service requirements for principal and interest for the South Dakota Economic Development Finance Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2006	\$ 775	\$ 811	\$ 1,586
2007	700	775	1,475
2008	720	743	1,463
2009	745	708	1,453
2010	790	672	1,462
2011-2015	3,985	2,707	6,692
2016-2020	2,920	1,819	4,739
2021-2025	2,430	784	3,214
2026-2029	1,610	281	1,891
Total	\$ 14,675	\$ 9,300	\$ 23,975

4. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2005 equaled \$10,288,873.

Following are revenue bonds outstanding at June 30, 2005 (expressed in thousands):

	<u>Amount</u>
School of Mines and Technology 2003	\$ 7,730
University of South Dakota 2003	15,820
South Dakota State University 2004	30,250
Less Deferred Loss on Refunding	(748)
Less Deferred Issuance Costs	(492)
Add Premium on Bonds	1,193
Northern State University 2004A	6,245
Less Deferred Loss on Refunding	(130)
Less Deferred Issuance Costs	(173)
Add Premium on Bonds	180
Dakota State University 2004A	3,260
Less Deferred Loss on Refunding	(58)
Less Deferred Issuance Costs	(89)
Add Premium on Bonds	125
Black Hills State University 2004	5,025
2004A	3,460
Less Deferred Loss on Refunding	(113)
Less Deferred Issuance Costs	(94)
Add Premium on Bonds	123
Total	\$ 71,514

As of June 30, 2005, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2006	\$ 2,465	\$ 3,028	\$ 5,493
2007	2,520	2,959	5,479
2008	2,620	2,882	5,502
2009	2,685	2,814	5,499
2010	2,740	2,742	5,482
2011-2015	14,915	12,253	27,168
2016-2020	18,105	8,797	26,902
2021-2025	17,645	4,167	21,812
2026-2030	6,680	1,174	7,854
2031-2035	1,415	152	1,567
Total	\$ 71,790	\$ 40,968	\$ 112,758

b. Building Authority

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

Following is a schedule of bonds and certificates outstanding at June 30, 2005 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1995A	2015	4.850%-6.250%	\$ 745
1996C	2014	4.100%-5.300%	2,947
1999	2019	4.500%-6.500%	6,938
2000	2024	4.500%-6.500%	5,955
2002	2026	4.400%-5.750%	4,745
2003	2015	2.500%-5.000%	13,593
2003A	2028	2.000%-5.000%	16,375
Less Loss on Refunding			(45)
Add Unamortized Premium			854
Total Revenue Bonds			52,107
Trust Certificates			
1991B	2013	6.500%-6.625%	1,010
1993B	2005	6.400%-8.000%	1,455
Total Trust Certificates			2,465
Total			\$ 54,572

As of June 30, 2005, debt service requirements for principal and interest for the Building Authority (Higher Education portion) were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2006	\$ 4,604	\$ 1,875	\$ 6,479
2007	3,201	1,726	4,927
2008	3,480	1,647	5,127
2009	3,640	1,561	5,201
2010	3,508	1,475	4,983
2011-2015	14,292	6,135	20,427
2016-2020	9,452	4,082	13,534
2021-2025	7,435	1,976	9,411
2026-2029	4,151	394	4,545
Total	\$ 53,763	\$ 20,871	\$ 74,634

Capital Leases

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

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

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2005 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government		Component Units	Total
	Governmental Activities	Business-Type Activities		
2006	\$ 5,746	\$ 9	\$ 998	\$ 6,753
2007	5,497	4	894	6,395
2008	4,817		647	5,464
2009	3,894		277	4,171
2010	2,782		187	2,969
2011-2015	10,799		290	11,089
2016-2020	7,529			7,529
2021-2025	5,753			5,753
Total Minimum Lease Payments	\$ 46,817	\$ 13	\$ 3,293	\$ 50,123
Less: Amount Representing Interest	12,404		293	12,697
Present Value of Net Minimum Lease Payments	\$ 34,413	\$ 13	\$ 3,000	\$ 37,426

The historical cost and depreciation of assets acquired under capital leases and included in capital assets on the government-wide financial statements at June 30, 2005 are as follows (expressed in thousands):

	Primary Government	
	Governmental Activities	Business- Type Activities
Land	\$	\$ 28
Buildings	41,481	
Equipment	2,842	
Vehicles	12,013	
Total	56,336	28
Less Accumulated Depreciation	14,598	
Total, Net	\$ 41,738	\$ 28

Conduit Debt Obligations

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

1. South Dakota Value Added Finance Authority

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

As of June 30, 2005, there were 216 Beginning Farmer Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2005 could not be determined; however, the original issue amount totaled \$25,454,241.

As of June 30, 2005, there were four Agribusiness Bonding Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2005 could not be determined; however, the original issue amount totaled \$4,220,000.

As of June 30, 2005, there were seventeen Agribusiness Relending Loans outstanding. The aggregate principal amount payable at June 30, 2005 could not be determined; however, the original issue amount totaled \$1,308,900.

2. South Dakota Economic Development Finance Authority

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

As of June 30, 2005, the aggregate amount of stand-alone bond principal outstanding was \$21,615,000. The original issue amount of stand-alone bonds totaled \$28,015,000.

Refunded Bonds

1. Building Authority

The Building Authority defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2005, \$13,900,000 of the Building Authority bonds outstanding is considered defeased.

2. Higher Education

On November 23, 2004, the Board of Regents issued \$12,965,000 in South Dakota Board of Regents Housing and Auxiliary Facilities System Revenue Bonds, Series 2004A with an average interest rate of 4 percent. The proceeds from the sale were to be used to renovate existing residence halls, as part of the Northern State University Housing and Auxiliary Facilities System, as well as refund the Black Hills State College Housing and Auxiliary Facilities Revenue Bonds Series C (3%) and D (4%) Series 1974 Bonds and the Black Hills State University Housing and Auxiliary Facilities Revenue Bonds, Series 1995 (4.74%), as well as refund Northern State College Housing and Auxiliary Facilities Revenue Bonds, Series G and the Northern State University Housing and Auxiliary Facilities Revenue Bonds, Series 1998 and to refund the Dakota State College Housing and Auxiliary Facilities Revenue Bonds, Series C, D, E and F and Dakota State University Housing and Auxiliary Facilities Revenue Bonds, Series 1995.

A portion of the proceeds of the refunding issue, in the amount of \$9,482,992 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from Higher Education's financial statements.

The Board of Regents refunded the debt to reduce its total debt service payments over the next 20-25 years by \$560,885 and obtain an economic gain of \$327,052.

3. South Dakota Conservancy District

The South Dakota Conservancy District defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2005, \$2,155,000 of the South Dakota Conservancy District bonds outstanding is considered defeased. As a result of these advanced refundings, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the life of the new bonds. At June 30, 2005, this amount is reported as \$268,989

4. South Dakota Housing Development Authority

In April 2005, the Authority issued \$6,925,000 of variable rate Homeownership Mortgage Bonds, 2005 Series D to refund \$6,925,000 of Homeownership Mortgage Bonds, 1995 Series C. The refunding was structured so that the average life of the bonds was extended by approximately 24 years. The purpose of the refunding was to restructure the debt to allow the recycling of mortgage prepayments. At the time of issuance, the Authority entered into an interest rate swap for 10 years. As a result, over the next twenty-seven years, if the combined rate on the bond and swap payments over the life of the refunding bonds is the same level as the swap rate, the cash flow required for debt service of the Homeownership Mortgage Bonds, 2005 Series D will be \$5,117,835 more than the cash flow required for debt service of the Homeownership Mortgage Bonds, 1995 Series C. The difference in present value of the old and new debt service payments after paying the costs of issuing the refunding bonds will result in the economic gain of approximately \$352,843.

14. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

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

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest and Other Expenses	Depreciation
Instruction	\$ 116,829	\$ 2,245	\$ 7,957	\$ 6,690	\$ 397	\$ 72	\$ 2,012
Research	30,523	2,026	5,418	8,173	3,173		2,106
Public Service	24,930	1,362	4,403	4,571	1,609	44	236
Academic Support	27,118	886	3,619	5,773	716	3	3,211
Student Services	17,379	3,101	4,888	3,699	333	428	1,214
Institutional Support	25,741	883	6,262	7,968	2,136	230	732
O&M of Plant	11,472	181	10,824	5,982			2,068
Scholarships and Fellowships	889	2	80	1	14,019	7	
Auxiliary Enterprises	10,005	61	16,468	11,522	3		1,560
Other Expenses			683			49	
Unallocated Depreciation							9,734
Total	\$ 264,886	\$ 10,747	\$ 60,602	\$ 54,379	\$ 22,386	\$ 833	\$ 22,873

15. DEFICIT FUND EQUITY

The following individual funds had deficit fund equity at June 30, 2005 (expressed in thousands).

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 9,327
Enterprise:	
Second Injury	\$ 1,035
Special Revenue:	
Fire Suppression	\$ 947
Public Safety - Other	39
Law Enforcement Revolving	308

16. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2005, the State provided \$16,519,467 in General Fund state aid payments to the technical institutes.

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

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

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

17. RELATED PARTY TRANSACTIONS

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

18. CONTINGENCIES AND LITIGATION

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

The contingent liabilities at June 30, 2005 are as follows:

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. As of June 30, 2005, PRCF was currently involved with 241 active cases, 178 active/monitoring cases, and 11 pending cases (spill report not yet filed), for a total of 430 cases. Contingent liabilities for the PRCF are \$6,600,000 for sites that haven't received any payments.

Loren Pourier, d/b/a Muddy Creek Oil and Gas, Inc., and Muddy Creek Oil and Gas, Inc. v. South Dakota Department of Revenue. Pourier brought a motor fuel tax refund action contesting the payment of taxes accruing from July, 1995 through January, 2000, in the amount of \$937,819.75 plus interest which would accrue at the rate of 1.25 percent per month. The Supreme Court held that the Department of Revenue could not impose the state motor fuel tax on an enrolled tribal member or a tribe on Indian country controlled by the enrolled tribal member's tribe or the tribe. The court ruled on January 7, 2004, that a fifteen month statute of limitations applies. The case has been remanded to the Circuit Court for additional proceedings. Additional legal proceedings are ongoing at the Circuit Court level. Counsel for the Department of Revenue is vigorously defending this action. If the decision is left standing, the refund amount could have a material impact on the State's Transportation Fund.

Yankton Sioux Tribe v. United States Army Corps of Engineers. This case was commenced in 2002. In 2004, the Court allowed the Yankton Sioux Tribe to amend its complaint. The amendment alleges that those lands already transferred to the State of South Dakota under Title VI, and lands to be transferred under Title VI, include lands which were and which are within the existing boundaries of the Yankton Sioux Reservation. Therefore, the amendment argues, the transfer of those lands already accomplished should be set aside and further transfers prohibited. The probable worth of the lands and the improvements already transferred exceeds \$1,000,000. Counsel for the State is of the opinion that the Tribe's attempt to set aside the transfer of lands already made and the parallel attempt to prohibit further transfers is not likely to succeed.

Metropolitan Life Insurance Company, et al. v. Viken, et al. This case concerns a refund claim for insurance premium taxes. Metropolitan Life, and other related companies, filed an action in Circuit Court, Hughes County, in August 2004, seeking refund of insurance premium taxes paid by these entities since 1981 totaling a claimed \$4,470,000. The insurance companies are challenging the constitutionality of the State's insurance premium credit tax provisions. A motion to dismiss filed by Defendants is pending as is a motion filed by Plaintiffs to consolidate the case with pending administrative appeals of denials of claims for reimbursement of premium taxes. No discovery has been conducted as of February 14, 2006. Counsel for the Department of Revenue and Regulation are vigorously defending this action on both substantive and procedural grounds. If the decision is unfavorable, it will have a material impact on the State's General Fund.

19. SUBSEQUENT EVENTS

Housing Authority

In August of 2005, the Authority issued \$75,000,000 of Homeownership Mortgage Bonds Series 2005 E and F. The Bonds will mature on May 1, 2006, through November 1, 2030, with interest rates from 2.6% to 5.0%.

In August of 2005, the Authority issued \$25,000,000 of Homeownership Mortgage Bonds Series 2005 G. The Bonds will mature on May 1, 2035, with a variable rate of interest that is set weekly.

In November of 2005, the Authority issued \$300,000,000 of Homeownership Mortgage Bonds Series 2005 H and I. The Bonds will mature on December 15, 2006, with interest rates of 4.5%.

In January of 2006, the Authority issued \$150,000,000 of Homeownership Mortgage Bonds Series 2005 J and K. The Bonds will mature on May 1, 2036, with interest rates from 3.4% to 5.05%.

Building Authority

The Authority on July 28, 2005 issued the Series 2005 C Bond in the amount of \$17,125,000 to finance the Mewaldt-Jensen Technology Center Addition at Northern State University and to partially refund the Series 1999 and Series 2000 bonds.

Department of Environment and Natural Resources

On October 19, 2005, the South Dakota Conservancy District issued \$34,205,000 of Clean Water State Revolving Fund Revenue Bonds Series 2005. The bonds will mature on August 1, 2007 through August 1, 2026, with interest rates from 3.25% to 5.00%. Proceeds from the bonds will fund projects of the Clean Water State Revolving Fund Program.

On October 19, 2005, the South Dakota Conservancy District issued \$15,795,000 of Drinking Water State Revolving Fund Revenue Bonds Series 2005. The bonds will mature on August 1, 2007 through August 1, 2026, with interest rates from 3.25% to 5.00%. Proceeds from the bonds will fund projects of the Drinking Water State Revolving Fund Program.

Science and Technology Authority

On October 14, 2005, the Governor called a special session of the State Legislature at which a bill was introduced and approved to appropriate \$19,887,630 from the Property Tax Reduction Fund to develop an underground laboratory at the Homestake Mine in Lead, South Dakota.

Department of Transportation

The State of South Dakota sold 368 miles of railroad to BNSF Railway Company and various minor purchasers. Proceeds from the sale of the property were \$37,925,000. Book value of the property at the time of sale was \$2,014,663. This resulted in a gain on the sale of the property in the amount of \$35,910,337. The proceeds from the sale received on December 16, 2005 were deposited into the Railroad Trust Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Transportation Fund

Budgetary Comparison Schedule – Social Services Federal

Budgetary Comparison Schedule Budget-to-GAAP Reconciliation

Notes to Required Supplementary Information – Budgetary Reporting

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,588	\$ 1,533	\$ 1,533	\$ 0
Operating Expenses	1,103	1,158	1,158	0
TOTAL	2,691	2,691	2,691	0
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	100	98	2
TOTAL	100	100	98	2
LIEUTENANT GOVERNOR				
Personal Services	17	17	17	0
Operating Expenses	14	14	14	0
TOTAL	31	31	31	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	641	541	540	1
Operating Expenses	159	259	259	0
TOTAL	800	800	799	1
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	11,026	11,026	11,026	0
TOTAL	11,026	11,026	11,026	0
SDDS, INC SETTLEMENT				
Personal Services	0	0	0	0
Operating Expenses	0	5,210	5,199	11
TOTAL	0	5,210	5,199	11
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	724	723	643	80
TOTAL	724	723	643	80
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	808	808	808	0
TOTAL	808	808	808	0
CENTRAL SERVICES				
Personal Services	173	146	146	0
Operating Expenses	160	140	140	0
TOTAL	333	286	286	0
STATE ENGINEER				
Personal Services	0	0	0	0
Operating Expenses	5	0	0	0
TOTAL	5	0	0	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATEWIDE MAINTENANCE & REPAIR				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	3,120	3,200	1,431	1,769
TOTAL	3,120	3,200	1,431	1,769
OFFICE OF HEARING EXAMINERS				
Personal Services	280	267	267	0
Operating Expenses	86	73	73	0
TOTAL	366	340	340	0
PEPL FUND ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	0	1,280	1,280	0
TOTAL	0	1,280	1,280	0
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,283	2,283	2,283	0
Operating Expenses	1,483	1,483	1,483	0
TOTAL	3,766	3,766	3,766	0
STATE RADIO ENGINEERING				
Personal Services	542	437	429	8
Operating Expenses	958	1,063	1,063	0
TOTAL	1,500	1,500	1,492	8
PERSONNEL MANAGEMENT & EMPLOYEE BENEFITS				
Personal Services	318	318	318	0
Operating Expenses	78	78	78	0
TOTAL	396	396	396	0
SOUTH DAKOTA RISK POOL				
Personal Services	43	52	52	0
Operating Expenses	458	450	450	0
TOTAL	501	502	502	0
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	5,887	5,593	5,584	9
Operating Expenses	20,282	27,065	25,203	1,862
TOTAL	26,169	32,658	30,787	1,871
SECRETARIAT				
Personal Services	98	98	98	0
Operating Expenses	53	65	59	6
TOTAL	151	163	157	6
PROPERTY AND SPECIAL TAXES				
Personal Services	554	554	525	29
Operating Expenses	1,179	1,167	852	315
TOTAL	1,733	1,721	1,377	344

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, REVENUE				
Personal Services	\$ 652	\$ 652	\$ 623	\$ 29
Operating Expenses	1,232	1,232	911	321
TOTAL	1,884	1,884	1,534	350
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	405	405	394	11
Operating Expenses	232	232	222	10
TOTAL	637	637	616	21
AGRICULTURAL SERVICES				
Personal Services	672	672	672	0
Operating Expenses	269	269	267	2
TOTAL	941	941	939	2
AGRICULTURAL DEVELOPMENT				
Personal Services	115	115	115	0
Operating Expenses	23	23	23	0
TOTAL	138	138	138	0
RESOURCE CONSERVATION & FORESTRY				
Personal Services	605	605	583	22
Operating Expenses	342	342	307	35
TOTAL	947	947	890	57
FIRE SUPPRESSION				
Personal Services	648	648	487	161
Operating Expenses	634	2,753	2,720	33
TOTAL	1,282	3,401	3,207	194
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	260	914	914	0
TOTAL	260	914	914	0
ANIMAL INDUSTRY BOARD				
Personal Services	1,323	1,323	1,294	29
Operating Expenses	292	292	292	0
TOTAL	1,615	1,615	1,586	29
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	3,768	3,768	3,545	223
Operating Expenses	2,053	4,825	4,745	80
TOTAL	5,821	8,593	8,290	303
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,446	1,397	1,397	0
Operating Expenses	1,891	2,048	2,047	1
TOTAL	3,337	3,445	3,444	1

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DIVISION OF RESEARCH COMMERCE				
Personal Services	\$ 138	\$ 31	\$ 31	\$ 0
Operating Expenses	3,386	3,386	3,386	0
TOTAL	3,524	3,417	3,417	0
TRIBAL GOVERNMENT RELATIONS				
Personal Services	164	133	133	0
Operating Expenses	36	67	67	0
TOTAL	200	200	200	0
ARTS				
Personal Services	184	184	183	1
Operating Expenses	404	404	404	0
TOTAL	588	588	587	1
HISTORY				
Personal Services	1,085	1,050	1,044	6
Operating Expenses	1,557	1,593	1,591	2
TOTAL	2,642	2,643	2,635	8
DEPARTMENT TOTAL, TOURISM & STATE DEVELOPMENT				
Personal Services	3,018	2,795	2,787	8
Operating Expenses	7,274	7,498	7,494	4
TOTAL	10,292	10,293	10,281	12
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	1,157	1,157	1,157	0
TOTAL	1,157	1,157	1,157	0
ADMINISTRATION, SECRETARY OF GAME, FISH & PARKS				
Personal Services	72	72	72	0
Operating Expenses	279	279	279	0
TOTAL	351	351	351	0
PARKS & RECREATION				
Personal Services	2,608	2,608	2,608	0
Operating Expenses	455	455	455	0
TOTAL	3,063	3,063	3,063	0
DEVELOPMENT & IMPROVEMENT, PARKS & RECREATION				
Personal Services	0	0	0	0
Operating Expenses	253	303	209	94
TOTAL	253	303	209	94
CAPITAL DEVELOPMENT, CUSTER STATE PARK				
Personal Services	0	0	0	0
Operating Expenses	50	0	0	0
TOTAL	50	0	0	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, GAME, FISH & PARKS				
Personal Services	\$ 2,680	\$ 2,680	\$ 2,680	\$ 0
Operating Expenses	2,194	2,194	2,100	94
TOTAL	4,874	4,874	4,780	94
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	1,274	1,229	1,229	0
Operating Expenses	3,015	4,230	4,230	0
TOTAL	4,289	5,459	5,459	0
PROGRAM MANAGEMENT				
Personal Services	1,429	1,429	1,305	124
Operating Expenses	79	79	78	1
TOTAL	1,508	1,508	1,383	125
ECONOMIC ASSISTANCE				
Personal Services	5,349	5,349	5,273	76
Operating Expenses	19,276	19,276	16,263	3,013
TOTAL	24,625	24,625	21,536	3,089
MEDICAL SERVICES				
Personal Services	473	473	435	38
Operating Expenses	101,370	99,830	99,771	59
TOTAL	101,843	100,303	100,206	97
CHILD SUPPORT ENFORCEMENT				
Personal Services	58	58	58	0
Operating Expenses	38	61	61	0
TOTAL	96	119	119	0
ADULT SERVICES & AGING				
Personal Services	1,579	1,579	1,579	0
Operating Expenses	53,479	52,849	52,849	0
TOTAL	55,058	54,428	54,428	0
CHILD PROTECTION SERVICES				
Personal Services	4,002	4,002	3,885	117
Operating Expenses	10,727	11,704	11,703	1
TOTAL	14,729	15,706	15,588	118
CHILD CARE SERVICES				
Personal Services	379	379	349	30
Operating Expenses	995	995	995	0
TOTAL	1,374	1,374	1,344	30
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	14,543	14,498	14,114	384
Operating Expenses	188,980	189,025	185,951	3,074
TOTAL	203,523	203,523	200,065	3,458

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	\$ 703	\$ 628	\$ 589	\$ 39
Operating Expenses	661	661	661	0
TOTAL	1,364	1,289	1,250	39
FAMILY PRACTICE RESIDENCY PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	895	895	895	0
TOTAL	895	895	895	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,289	1,289	1,289	0
Operating Expenses	808	808	769	39
TOTAL	2,097	2,097	2,058	39
HEALTH AND MEDICAL SERVICES				
Personal Services	1,400	1,400	1,400	0
Operating Expenses	1,910	1,985	1,984	1
TOTAL	3,310	3,385	3,384	1
TOBACCO PREVENTION AND REDUCTION PLAN				
Personal Services	32	32	21	11
Operating Expenses	1,425	1,425	1,407	18
TOTAL	1,457	1,457	1,428	29
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,424	3,349	3,299	50
Operating Expenses	5,698	5,773	5,716	57
TOTAL	9,122	9,122	9,015	107
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	503	503	503	0
Operating Expenses	87	87	87	0
TOTAL	590	590	590	0
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	507	507	490	17
Operating Expenses	83	83	64	19
TOTAL	590	590	554	36
DEPARTMENT TOTAL, LABOR				
Personal Services	1,010	1,010	994	16
Operating Expenses	370	370	351	19
TOTAL	1,380	1,380	1,345	35

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 252	\$ 264	\$ 264	\$ 0
Operating Expenses	236	224	224	0
TOTAL	488	488	488	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	252	264	264	0
Operating Expenses	236	224	224	0
TOTAL	488	488	488	0
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	992	1,046	1,025	21
Operating Expenses	643	643	643	0
TOTAL	1,635	1,689	1,668	21
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	283,447	288,029	288,029	0
TOTAL	283,447	288,029	288,029	0
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	44,971	42,919	42,919	0
TOTAL	44,971	42,919	42,919	0
DECLINING ENROLLMENT				
Personal Services	0	0	0	0
Operating Expenses	3,280	0	0	0
TOTAL	3,280	0	0	0
ALTERNATIVE EDUCATION PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	450	450	450	0
TOTAL	450	450	450	0
NATIONAL BOARD CERTIFIED TEACHERS				
Personal Services	0	0	0	0
Operating Expenses	90	90	49	41
TOTAL	90	90	49	41
EDUCATION ENHANCEMENT DISTRIBUTION				
Personal Services	0	0	0	0
Operating Expenses	1,845	1,845	1,845	0
TOTAL	1,845	1,845	1,845	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	10,125	10,125	10,125	0
TOTAL	10,125	10,125	10,125	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
CAREER AND TECHNICAL EDUCATION				
Personal Services	\$ 342	\$ 324	\$ 323	\$ 1
Operating Expenses	598	598	598	0
TOTAL	940	922	921	1
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	17,343	17,343	17,343	0
TOTAL	17,343	17,343	17,343	0
ED RESOURCES				
Personal Services	1,030	1,043	1,033	10
Operating Expenses	6,374	6,374	6,374	0
TOTAL	7,404	7,417	7,407	10
EDUCATION SERVICE AGENCIES				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
STATE LIBRARY				
Personal Services	1,085	1,035	927	108
Operating Expenses	1,210	1,210	1,210	0
TOTAL	2,295	2,245	2,137	108
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,449	3,449	3,308	141
Operating Expenses	370,127	370,127	370,085	42
TOTAL	373,576	373,576	373,393	183
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	27	27	27	0
Operating Expenses	12	12	12	0
TOTAL	39	39	39	0
ENFORCEMENT				
Personal Services	1,456	1,481	1,475	6
Operating Expenses	179	179	155	24
TOTAL	1,635	1,660	1,630	30
EMERGENCY SERVICES				
Personal Services	979	949	857	92
Operating Expenses	3,371	3,371	2,596	775
TOTAL	4,350	4,320	3,453	867
INSPECTION AND LICENSING				
Personal Services	44	49	49	0
Operating Expenses	439	439	422	17
TOTAL	483	488	471	17

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	\$ 2,507	\$ 2,507	\$ 2,409	\$ 98
Operating Expenses	4,001	4,001	3,184	817
TOTAL	6,508	6,508	5,593	915
REGENTS SYSTEM OFFICE				
Personal Services	3,053	2,997	2,997	0
Operating Expenses	4,102	3,659	3,658	1
TOTAL	7,155	6,656	6,655	1
SOUTH DAKOTA OPPORTUNITY SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	1,950	2,583	2,583	0
TOTAL	1,950	2,583	2,583	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	27,378	27,014	27,014	0
Operating Expenses	1,137	1,470	1,470	0
TOTAL	28,515	28,484	28,484	0
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	14,485	12,288	12,288	0
Operating Expenses	642	4,819	3,018	1,801
TOTAL	15,127	17,107	15,306	1,801
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	36,299	36,241	36,241	0
Operating Expenses	2,631	2,879	2,879	0
TOTAL	38,930	39,120	39,120	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	6,933	6,848	6,848	0
Operating Expenses	472	557	557	0
TOTAL	7,405	7,405	7,405	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	8,840	8,665	8,665	0
Operating Expenses	521	696	696	0
TOTAL	9,361	9,361	9,361	0
SOUTH DAKOTA SCHOOL OF MINES & TECHNOLOGY				
Personal Services	10,584	10,506	10,506	0
Operating Expenses	1,094	1,215	1,215	0
TOTAL	11,678	11,721	11,721	0
NORTHERN STATE UNIVERSITY				
Personal Services	9,589	9,516	9,516	0
Operating Expenses	1,045	1,167	1,167	0
TOTAL	10,634	10,683	10,683	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
BLACK HILLS STATE UNIVERSITY				
Personal Services	\$ 6,620	\$ 6,774	\$ 6,774	\$ 0
Operating Expenses	836	725	725	0
TOTAL	7,456	7,499	7,499	0
DAKOTA STATE UNIVERSITY				
Personal Services	6,042	6,005	6,005	0
Operating Expenses	579	579	579	0
TOTAL	6,621	6,584	6,584	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,861	2,795	2,795	0
Operating Expenses	382	448	448	0
TOTAL	3,243	3,243	3,243	0
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,180	2,100	2,100	0
Operating Expenses	149	229	229	0
TOTAL	2,329	2,329	2,329	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	134,863	131,749	131,749	0
Operating Expenses	15,479	21,026	19,225	1,801
TOTAL	150,342	152,775	150,974	1,801
ADJUTANT GENERAL				
Personal Services	258	258	258	0
Operating Expenses	789	754	741	13
TOTAL	1,047	1,012	999	13
ARMY GUARD				
Personal Services	734	720	720	0
Operating Expenses	1,044	1,057	1,057	0
TOTAL	1,778	1,777	1,777	0
AIR GUARD				
Personal Services	148	148	148	0
Operating Expenses	156	156	156	0
TOTAL	304	304	304	0
VETERANS' BENEFITS & SERVICES				
Personal Services	698	744	704	40
Operating Expenses	4,520	4,474	4,472	2
TOTAL	5,218	5,218	5,176	42
STATE VETERAN'S HOME				
Personal Services	1,109	1,144	1,140	4
Operating Expenses	495	495	494	1
TOTAL	1,604	1,639	1,634	5

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, MILITARY & VETERANS AFFAIRS				
Personal Services	\$ 2,947	\$ 3,015	\$ 2,970	\$ 45
Operating Expenses	7,005	6,937	6,921	16
TOTAL	9,952	9,952	9,891	61
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,510	1,389	1,363	26
Operating Expenses	15,416	15,301	14,625	676
TOTAL	16,926	16,690	15,988	702
MIKE DURFEE STATE PRISON				
Personal Services	7,611	6,415	6,415	0
Operating Expenses	3,789	2,814	2,811	3
TOTAL	11,400	9,229	9,226	3
STATE PENITENTIARY				
Personal Services	12,072	10,391	10,388	3
Operating Expenses	4,754	4,657	4,656	1
TOTAL	16,826	15,048	15,044	4
WOMEN'S PRISON				
Personal Services	2,225	1,941	1,936	5
Operating Expenses	981	858	858	0
TOTAL	3,206	2,799	2,794	5
COMMUNITY SERVICE				
Personal Services	0	2,479	2,479	0
Operating Expenses	163	1,456	1,456	0
TOTAL	163	3,935	3,935	0
PAROLE SERVICES				
Personal Services	2,104	2,010	2,010	0
Operating Expenses	725	800	795	5
TOTAL	2,829	2,810	2,805	5
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	1,882	1,732	1,731	1
Operating Expenses	7,919	7,469	7,469	0
TOTAL	9,801	9,201	9,200	1
YOUTH CHALLENGE CENTER/LIVING CENTER				
Personal Services	1,450	1,535	1,534	1
Operating Expenses	192	176	166	10
TOTAL	1,642	1,711	1,700	11
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,654	1,603	1,598	5
Operating Expenses	143	136	132	4
TOTAL	1,797	1,739	1,730	9

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	\$ 1,784	\$ 1,796	\$ 1,792	\$ 4
Operating Expenses	2,007	2,309	2,309	0
TOTAL	3,791	4,105	4,101	4
QUEST/EXCEL				
Personal Services	146	366	366	0
Operating Expenses	145	145	145	0
TOTAL	291	511	511	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	32,439	31,656	31,611	45
Operating Expenses	36,225	36,122	35,422	700
TOTAL	68,664	67,778	67,033	745
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	628	628	628	0
Operating Expenses	298	298	298	0
TOTAL	926	926	926	0
DEVELOPMENTAL DISABILITIES				
Personal Services	436	377	377	0
Operating Expenses	26,486	26,420	26,420	0
TOTAL	26,922	26,797	26,797	0
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	5,749	5,874	5,874	0
Operating Expenses	1,767	1,918	1,918	0
TOTAL	7,516	7,792	7,792	0
ALCOHOL & DRUG ABUSE				
Personal Services	1,295	1,295	1,295	0
Operating Expenses	2,660	2,660	2,660	0
TOTAL	3,955	3,955	3,955	0
REHABILITATION SERVICES				
Personal Services	662	612	612	0
Operating Expenses	2,845	2,845	2,845	0
TOTAL	3,507	3,457	3,457	0
SERVICES TO THE BLIND & VISUALLY IMPAIRED				
Personal Services	414	374	374	0
Operating Expenses	426	401	401	0
TOTAL	840	775	775	0
HUMAN SERVICES CENTER				
Personal Services	17,853	17,853	17,853	0
Operating Expenses	8,334	9,073	9,073	0
TOTAL	26,187	26,926	26,926	0

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
COMMUNITY MENTAL HEALTH				
Personal Services	\$ 827	\$ 687	\$ 687	\$ 0
Operating Expenses	11,090	11,130	11,130	0
TOTAL	11,917	11,817	11,817	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	27,864	27,700	27,700	0
Operating Expenses	53,905	54,744	54,744	0
TOTAL	81,769	82,444	82,444	0
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,647	1,647	1,647	0
Operating Expenses	442	442	412	30
TOTAL	2,089	2,089	2,059	30
ENVIRONMENTAL SERVICES				
Personal Services	2,973	2,973	2,971	2
Operating Expenses	802	802	710	92
TOTAL	3,775	3,775	3,681	94
DEPARTMENT TOTAL, ENVIRONMENT & NATURAL RESOURCES				
Personal Services	4,620	4,620	4,619	1
Operating Expenses	1,244	1,244	1,122	122
TOTAL	5,864	5,864	5,741	123
UNIFIED JUDICIAL SYSTEM				
Personal Services	24,299	24,299	24,133	166
Operating Expenses	3,595	3,595	3,345	250
TOTAL	27,894	27,894	27,478	416
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	24,299	24,299	24,133	166
Operating Expenses	3,595	3,595	3,345	250
TOTAL	27,894	27,894	27,478	416
LEGISLATIVE OPERATIONS				
Personal Services	54	54	54	0
Operating Expenses	35	35	35	0
Appropriation	4,502	4,502	4,416	86
TOTAL	4,591	4,591	4,505	86
LEGISLATIVE AUDIT				
Personal Services	2,203	2,203	2,131	72
Operating Expenses	323	323	286	37
Appropriation	0	0	0	0
TOTAL	2,526	2,526	2,417	109

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	\$ 2,258	\$ 2,258	\$ 2,186	\$ 72
Operating Expenses	358	358	321	37
Appropriation	4,502	4,502	4,416	86
TOTAL	7,118	7,118	6,923	195
LEGAL SERVICES				
Personal Services	2,909	2,880	2,880	0
Operating Expenses	405	434	434	0
TOTAL	3,314	3,314	3,314	0
CRIMINAL INVESTIGATION				
Personal Services	1,930	1,930	1,930	0
Operating Expenses	7,268	7,268	4,550	2,718
TOTAL	9,198	9,198	6,480	2,718
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	4,839	4,810	4,810	0
Operating Expenses	7,673	7,702	4,985	2,717
TOTAL	12,512	12,512	9,795	2,717
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	386	386	386	0
Operating Expenses	111	111	111	0
TOTAL	497	497	497	0
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	386	386	386	0
Operating Expenses	111	111	111	0
TOTAL	497	497	497	0
SECRETARY OF STATE				
Personal Services	602	602	598	4
Operating Expenses	304	304	302	2
TOTAL	906	906	900	6
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	602	602	598	4
Operating Expenses	304	304	302	2
TOTAL	906	906	900	6
TREASURY MANAGEMENT				
Personal Services	275	275	270	5
Operating Expenses	195	195	188	7
TOTAL	470	470	458	12

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (Continued)
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	\$ 275	\$ 275	\$ 270	\$ 5
Operating Expenses	195	195	188	7
TOTAL	470	470	458	12
STATE AUDITOR				
Personal Services	855	855	838	17
Operating Expenses	150	150	150	0
TOTAL	1,005	1,005	988	17
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	855	855	838	17
Operating Expenses	150	150	150	0
TOTAL	1,005	1,005	988	17
STATE TOTAL				
Personal Services	277,439	272,792	271,477	1,315
Operating Expenses	728,690	744,821	732,801	12,020
Appropriation	4,502	4,502	4,416	86
TOTAL	\$ 1,010,631	\$ 1,022,115	\$ 1,008,694	\$ 13,421

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION FUND
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 52,155	\$ 52,024	\$ 47,337	\$ 4,687
Operating Expenses	80,205	78,500	71,034	7,466
TOTAL	132,360	130,524	118,371	12,153
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	-	-	-	-
Operating Expenses	301,017	301,017	310,873	(9,856)
TOTAL	301,017	301,017	310,873	(9,856)
ENFORCEMENT				
Personal Services	12,213	12,213	11,686	527
Operating Expenses	3,967	4,067	4,066	1
TOTAL	16,180	16,280	15,752	528
FUND TOTAL, TRANSPORTATION				
Personal Services	64,368	64,237	59,023	5,214
Operating Expenses	385,189	383,584	385,973	(2,389)
TOTAL	\$ 449,557	\$ 447,821	\$ 444,996	\$ 2,825

STATE OF SOUTH DAKOTA
 BUDGETARY COMPARISON SCHEDULE
 SOCIAL SERVICES FEDERAL
 For the Fiscal Year Ended June 30, 2005
 (Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	\$ 1,518	\$ 1,518	\$ 1,469	\$ 49
Operating Expenses	4,704	6,534	6,500	34
TOTAL	6,222	8,052	7,969	83
PROGRAM MANAGEMENT				
Personal Services	1,823	1,823	1,775	48
Operating Expenses	576	586	583	3
TOTAL	2,399	2,409	2,358	51
ENERGY ASSISTANCE AND WEATHERIZATION				
Personal Services	466	466	410	56
Operating Expenses	16,741	17,441	17,040	401
TOTAL	17,207	17,907	17,450	457
ECONOMIC ASSISTANCE				
Personal Services	6,756	6,756	6,632	124
Operating Expenses	13,820	13,060	11,049	2,011
TOTAL	20,576	19,816	17,681	2,135
MEDICAL SERVICES				
Personal Services	973	973	968	5
Operating Expenses	249,191	247,291	243,132	4,159
TOTAL	250,164	248,264	244,100	4,164
CHILD SUPPORT ENFORCEMENT				
Personal Services	2,556	2,556	2,496	60
Operating Expenses	2,014	2,014	1,894	120
TOTAL	4,570	4,570	4,390	180
ADULT SERVICES & AGING				
Personal Services	3,050	3,050	2,895	155
Operating Expenses	105,027	104,387	99,976	4,411
TOTAL	108,077	107,437	102,871	4,566
CHILD PROTECTION SERVICES				
Personal Services	7,054	7,054	6,860	194
Operating Expenses	23,575	24,335	22,976	1,359
TOTAL	30,629	31,389	29,836	1,553
CHILD CARE SERVICES				
Personal Services	732	732	676	56
Operating Expenses	14,921	14,921	13,378	1,543
TOTAL	15,653	15,653	14,054	1,599
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	24,928	24,928	24,181	747
Operating Expenses	430,569	430,569	416,528	14,041
TOTAL	\$ 455,497	\$ 455,497	\$ 440,709	\$ 14,788

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
Uses/Outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$1,008,694	\$444,996	\$440,709
Differences-budget to GAAP:			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(21,499)	(2,460)	(3,060)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,160)		
To Adjust Expenditures/Expenses for Accruals	<u>(6,654)</u>	<u>7,261</u>	<u>58,817</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$975,381</u></u>	<u><u>\$449,797</u></u>	<u><u>\$496,466</u></u>

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each special revenue fund that has a legally adopted annual budget. There are currently two special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an overexpended budget. For the year ended June 30, 2005, the only program in which expenditures exceeded appropriations was the contract construction--informational program within the Transportation fund. This program budget is budgeted as an informational budget tool and therefore does not violate any finance-related legal provisions. The Transportation fund expenditures in total did not exceed the Transportation appropriations in total.

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

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2005 has also been included as Required Supplementary Information.

COMBINING FINANCIAL STATEMENTS

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

Combining Balance Sheet – Nonmajor Governmental Funds – By Type

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

Combining Balance Sheet – Nonmajor Special Revenue Funds

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

Combining Balance Sheet – Nonmajor Debt Service Funds

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

Combining Statement of Net Assets – Nonmajor Enterprise Funds

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

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

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

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

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

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

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

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2005
(Expressed in Thousands)**

Assets	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Cash and Cash Equivalents	\$ 338,855	\$ 944	\$ 7,700	\$ 127	\$ 347,626
Investments	80,881	97,271		26,338	204,490
Securities Lending Collateral	21,351		600	3,621	25,572
Receivables From:					
Taxes (Net)	5,029				5,029
Interest and Dividends	1,683	108	13	112	1,916
Other Funds	9,538				9,538
Component Units	40				40
Other Governments	60,695				60,695
Loans and Notes (Net)	23,487			1	23,488
Other (Net)	14,918	11,196		1	26,115
Inventory	1,890				1,890
Deferred Fiscal Charges and Other Assets	564	12			576
Total Assets	\$ 558,931	\$ 109,531	\$ 8,313	\$ 30,200	\$ 706,975
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 34,393	\$ 12	\$ 4,521	\$	\$ 38,926
Payable To:					
Other Funds	18,789		52	42	18,883
Component Units	1,258				1,258
Other Governments	35,702				35,702
Claims, Judgments and Compensated Absences	118				118
Deferred Revenue	49,441	11,196			60,637
Securities Lending Collateral Liability	21,351		600	3,621	25,572
Total Liabilities	161,052	11,208	5,173	3,663	181,096
Fund Balances:					
Reserved For:					
Encumbrances	8,954				8,954
Inventories	1,890				1,890
Debt Service		98,323			98,323
Environmental Projects	13,070				13,070
School Perpetuity				26,537	26,537
Noncurrent Assets	23,317				23,317
Unreserved	350,648		3,140		353,788
Total Fund Balances	397,879	98,323	3,140	26,537	525,879
Total Liabilities and Fund Balances	\$ 558,931	\$ 109,531	\$ 8,313	\$ 30,200	\$ 706,975

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)**

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes	\$ 72,477	\$	\$	\$	\$ 72,477
Licenses, Permits and Fees	141,369				141,369
Fines, Forfeits and Penalties	7,787				7,787
Use of Money and Property	17,131	1,258	65	2,961	21,415
Sales and Services	20,177				20,177
Administering Programs	427,680				427,680
Tobacco Settlement		22,239			22,239
Other Revenue	9,476	53	5		9,534
Total Revenue	<u>696,097</u>	<u>23,550</u>	<u>70</u>	<u>2,961</u>	<u>722,678</u>
Expenditures:					
Current:					
General Government	33,887	176	9,855	1,153	45,071
Education	143,974				143,974
Health, Human and Social Services	192,339				192,339
Law, Justice, Public Protection and Regulation	86,325				86,325
Agriculture and Natural Resources	87,617				87,617
Economic Resources	32,954				32,954
Transportation	6,648				6,648
State Shared Revenue Paid to Other Governments	66,142				66,142
Debt Service:					
Principal		16,955			16,955
Interest		23,501			23,501
Total Expenditures	<u>649,886</u>	<u>40,632</u>	<u>9,855</u>	<u>1,153</u>	<u>701,526</u>
Excess of Revenue Over (Under) Expenditures	46,211	(17,082)	(9,785)	1,808	21,152
Other Financing Sources (Uses):					
Bonds Issued			12,635		12,635
Discount on Bond Issuance			(80)		(80)
Premiums on Refunding Bonds			10		10
Transfers In	131,866	10,322			142,188
Transfers Out	(195,768)		(60)	(359)	(196,187)
Total Other Financing Sources (Uses)	<u>(63,902)</u>	<u>10,322</u>	<u>12,505</u>	<u>(359)</u>	<u>(41,434)</u>
Net Change in Fund Balances	(17,691)	(6,760)	2,720	1,449	(20,282)
Fund Balances at Beginning of Year, restated	415,570	105,083	420	25,088	546,161
Fund Balances at End of Year	<u>\$ 397,879</u>	<u>\$ 98,323</u>	<u>\$ 3,140</u>	<u>\$ 26,537</u>	<u>\$ 525,879</u>

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005
 (Expressed in Thousands)

Assets	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Cash and Cash Equivalents	\$	\$	\$ 2,100	\$ 51	\$ 7
Investments					
Securities Lending Collateral			144	3	1
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds		364	150		
Component Units			9		
Other Governments	22,250	11,351		1,805	1,697
Loans and Notes (Net)					
Other (Net)			64		
Inventory		268	84	1,236	
Deferred Fiscal Charges and Other Assets	52				4
Total Assets	\$ 22,302	\$ 11,983	\$ 2,551	\$ 3,095	\$ 1,709
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 4,422	\$ 7,687	\$ 1,164	\$ 1,499	\$ 60
Payable To:					
Other Funds	410	3,703	289	227	1
Component Units	386	45		13	22
Other Governments	16,409			57	1,621
Claims, Judgments and Compensated Absences	3	9	60	4	
Deferred Revenue	349	247	480		
Securities Lending Collateral Liability			144	3	1
Total Liabilities	21,979	11,691	2,137	1,803	1,705
Fund Balances:					
Reserved For:					
Encumbrances	5	10	185	420	
Inventories		268	84	1,236	
Environmental Projects					
Noncurrent Assets					
Unreserved	318	14	145	(364)	4
Total Fund Balances	323	292	414	1,292	4
Total Liabilities and Fund Balances	\$ 22,302	\$ 11,983	\$ 2,551	\$ 3,095	\$ 1,709

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$ 3,738	\$ 16,591	\$ 6,752	\$ 376	\$ 3,537	\$ 6,542
		259	1,149	455	29	242	55
		24	105	9	34		608
			55	29		16	12
1,922	2,003	2,675		162		91	
			35			89	
						221	
<u>\$ 1,922</u>	<u>\$ 2,003</u>	<u>\$ 6,696</u>	<u>\$ 17,935</u>	<u>\$ 7,407</u>	<u>\$ 439</u>	<u>\$ 4,196</u>	<u>\$ 7,217</u>
\$ 103	\$ 606	\$ 498	\$ 1,280	\$ 1,105	\$ 109	\$ 229	\$ 66
334	747	149	976	261	29	558	484
	8	433	34				
1,484	525	18				3	561
			4	11	6	4	2
		5,263					5,785
		259	1,149	455	29	242	55
<u>1,921</u>	<u>1,886</u>	<u>6,620</u>	<u>3,443</u>	<u>1,832</u>	<u>173</u>	<u>1,036</u>	<u>6,953</u>
97	2,858	227	257	187		397	
						221	
			3,070				
(96)	(2,741)	(151)	11,165	5,388	266	2,542	264
1	117	76	14,492	5,575	266	3,160	264
<u>\$ 1,922</u>	<u>\$ 2,003</u>	<u>\$ 6,696</u>	<u>\$ 17,935</u>	<u>\$ 7,407</u>	<u>\$ 439</u>	<u>\$ 4,196</u>	<u>\$ 7,217</u>

Continued on next page

STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (continued)
 June 30, 2005
 (Expressed in Thousands)

Assets	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Cash and Cash Equivalents	\$ 9,747	\$ 2,259	\$ 15,068	\$ 91,577	\$ 5,522	\$ 3,371
Investments						
Securities Lending Collateral	688	156	1,033	6,294	383	261
Receivables From:						
Taxes (Net)	288			541	173	
Interest and Dividends	16	8	95		39	17
Other Funds				4,178		165
Component Units						
Other Governments	5,870	158				
Loans and Notes (Net)						
Other (Net)	39					13
Inventory						
Deferred Fiscal Charges and Other Assets	39					
Total Assets	\$ 16,687	\$ 2,581	\$ 16,196	\$ 102,590	\$ 6,117	\$ 3,827
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 407	\$ 450	\$ 791	\$	\$ 61	\$ 226
Payable To:						
Other Funds	609	206			9	2
Component Units			296			
Other Governments	13,376		7			
Claims, Judgments and Compensated Absences						
Deferred Revenue						
Securities Lending Collateral Liability	688	156	1,033	6,294	383	261
Total Liabilities	15,080	812	2,127	6,294	453	489
Fund Balances:						
Reserved For:						
Encumbrances	257	736				
Inventories						
Environmental Projects						
Noncurrent Assets						
Unreserved	1,350	1,033	14,069	96,296	5,664	3,338
Total Fund Balances	1,607	1,769	14,069	96,296	5,664	3,338
Total Liabilities and Fund Balances	\$ 16,687	\$ 2,581	\$ 16,196	\$ 102,590	\$ 6,117	\$ 3,827

<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Cement Plant Commission</u>	<u>Health Care Trust</u>	<u>Railroad Trust</u>	<u>Other</u>	<u>Total</u>
\$ 14,875	\$ 8,977	\$ 11,834	\$ 12,451	\$ 18,790	\$ 104,690	\$ 338,855
1,012	622	127	79,676	1,302	1,205	80,881
488					7,136	21,351
115	59	33	416	279	2,931	5,029
222					422	1,683
					4,359	9,538
					31	40
106					10,605	60,695
19,505				3,862	120	23,487
			5,247	3,855	5,576	14,918
					81	1,890
		3			466	564
<u>\$ 36,323</u>	<u>\$ 9,658</u>	<u>\$ 11,997</u>	<u>\$ 97,790</u>	<u>\$ 28,088</u>	<u>\$ 137,622</u>	<u>\$ 558,931</u>
\$ 38	\$	\$ 3	\$ 4,532	\$ 166	\$ 8,891	\$ 34,393
			3,682	1	6,112	18,789
					21	1,258
642					999	35,702
					15	118
				3,855	33,462	49,441
1,012	622	127		1,302	7,136	21,351
<u>1,692</u>	<u>622</u>	<u>130</u>	<u>8,214</u>	<u>5,324</u>	<u>56,636</u>	<u>161,052</u>
					3,318	8,954
					81	1,890
		10,000				13,070
19,383				3,300	634	23,317
<u>15,248</u>	<u>9,036</u>	<u>1,867</u>	<u>89,576</u>	<u>19,464</u>	<u>76,953</u>	<u>350,648</u>
<u>34,631</u>	<u>9,036</u>	<u>11,867</u>	<u>89,576</u>	<u>22,764</u>	<u>80,986</u>	<u>397,879</u>
<u>\$ 36,323</u>	<u>\$ 9,658</u>	<u>\$ 11,997</u>	<u>\$ 97,790</u>	<u>\$ 28,088</u>	<u>\$ 137,622</u>	<u>\$ 558,931</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	<u>Education Federal</u>	<u>Human Services Federal</u>	<u>Labor Federal</u>	<u>Health Federal</u>	<u>Tourism and State Development Federal</u>
Revenue:					
Taxes	\$	\$	\$ 445	\$ 23	\$
Licenses, Permits and Fees			3		
Fines, Forfeits and Penalties					
Use of Money and Property					
Sales and Services			21		
Administering Programs	139,916	105,648	30,208	34,953	14,571
Other Revenue	3	29	3	32	
Total Revenue	<u>139,919</u>	<u>105,677</u>	<u>30,680</u>	<u>35,008</u>	<u>14,571</u>
Expenditures:					
General Government					
Education	139,898				
Health, Human and Social Services		105,634	32,243	35,892	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					14,567
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>139,898</u>	<u>105,634</u>	<u>32,243</u>	<u>35,892</u>	<u>14,567</u>
Excess of Revenue Over (Under) Expenditures	21	43	(1,563)	(884)	4
Other Financing Sources (Uses):					
Transfers In	3	142	1,150	3	
Transfers Out	(253)	(420)	(19)	(201)	
Total Other Financing Sources (Uses)	<u>(250)</u>	<u>(278)</u>	<u>1,131</u>	<u>(198)</u>	<u>0</u>
Net Change in Fund Balances	<u>(229)</u>	<u>(235)</u>	<u>(432)</u>	<u>(1,082)</u>	<u>4</u>
Fund Balances at Beginning of Year, restated	552	527	846	2,374	
Fund Balances at End of Year	<u>\$ 323</u>	<u>\$ 292</u>	<u>\$ 414</u>	<u>\$ 1,292</u>	<u>\$ 4</u>

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			24,051	1,471 8,046	15,053 14,005 64	6,447	6,815 6,209 9
		91	571	1,230	157		50
			266	670	11		
20,671	9,136	8,221	259	12			
26		2	275	197		439	
<u>20,697</u>	<u>9,136</u>	<u>8,314</u>	<u>25,422</u>	<u>11,626</u>	<u>29,290</u>	<u>6,886</u>	<u>13,083</u>
						6,302	
20,667					2,152		1,170
	9,355	7,965	20,544	11,074			
							8,037
<u>20,667</u>	<u>9,355</u>	<u>7,965</u>	<u>20,544</u>	<u>11,074</u>	<u>2,152</u>	<u>6,302</u>	<u>9,207</u>
30	(219)	349	4,878	552	27,138	584	3,876
	227		239	2,573		201	
(30)		(283)	(4,169)	(777)	(31,624)	(454)	(3,872)
<u>(30)</u>	<u>227</u>	<u>(283)</u>	<u>(3,930)</u>	<u>1,796</u>	<u>(31,624)</u>	<u>(253)</u>	<u>(3,872)</u>
	8	66	948	2,348	(4,486)	331	4
1	109	10	13,544	3,227	4,752	2,829	260
<u>\$ 1</u>	<u>\$ 117</u>	<u>\$ 76</u>	<u>\$ 14,492</u>	<u>\$ 5,575</u>	<u>\$ 266</u>	<u>\$ 3,160</u>	<u>\$ 264</u>

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (continued)
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	\$ 2,775	\$ 7,360	\$ 7,472	\$ 4,973	\$ 1,682	\$
Licenses, Permits and Fees	62,913	2,078				
Fines, Forfeits and Penalties						
Use of Money and Property	67	34	400		165	57
Sales and Services	2,030					688
Administering Programs						
Other Revenue	4		218		445	
Total Revenue	67,789	9,472	8,090	4,973	2,292	745
Expenditures:						
General Government	5,783	8,506				1,908
Education						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	3,499					
Agriculture and Natural Resources					1,947	
Economic Resources			8,317			
Transportation						
State Shared Revenue Paid to Other Governments	58,105					
Total Expenditures	67,387	8,506	8,317	0	1,947	1,908
Excess of Revenue Over (Under) Expenditures	402	966	(227)	4,973	345	(1,163)
Other Financing Sources (Uses):						
Transfers In	1		52	109,135		
Transfers Out	(314)	(175)	(242)	(138,785)		(4)
Total Other Financing Sources (Uses)	(313)	(175)	(190)	(29,650)	0	(4)
Net Change in Fund Balances	89	791	(417)	(24,677)	345	(1,167)
Fund Balances at Beginning of Year, restated	1,518	978	14,486	120,973	5,319	4,505
Fund Balances at End of Year	\$ 1,607	\$ 1,769	\$ 14,069	\$ 96,296	\$ 5,664	\$ 3,338

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
\$ 4,879	\$	\$	\$	\$	\$ 19,552	\$ 72,477
1,562				164	15,868	141,369
					7,714	7,787
496	247	254	7,729	716	4,867	17,131
	101				16,390	20,177
			225		63,860	427,680
	173			190	7,440	9,476
<u>6,937</u>	<u>521</u>	<u>254</u>	<u>7,954</u>	<u>1,070</u>	<u>135,691</u>	<u>696,097</u>
		81	55		17,554	33,887
					4,076	143,974
					12,268	192,339
					58,837	86,325
7,908					28,824	87,617
	358				9,712	32,954
				1,275	5,373	6,648
						66,142
<u>7,908</u>	<u>358</u>	<u>81</u>	<u>55</u>	<u>1,275</u>	<u>136,644</u>	<u>649,886</u>
(971)	163	173	7,899	(205)	(953)	46,211
1,658				137	16,345	131,866
(403)		(790)	(3,682)		(9,271)	(195,768)
<u>1,255</u>	<u>0</u>	<u>(790)</u>	<u>(3,682)</u>	<u>137</u>	<u>7,074</u>	<u>(63,902)</u>
284	163	(617)	4,217	(68)	6,121	(17,691)
<u>34,347</u>	<u>8,873</u>	<u>12,484</u>	<u>85,359</u>	<u>22,832</u>	<u>74,865</u>	<u>415,570</u>
<u>\$ 34,631</u>	<u>\$ 9,036</u>	<u>\$ 11,867</u>	<u>\$ 89,576</u>	<u>\$ 22,764</u>	<u>\$ 80,986</u>	<u>\$ 397,879</u>

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2005
(Expressed in Thousands)**

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$ 7	\$ 937	\$ 944
Investments	64,783	32,488	97,271
Receivables From:			
Interest and Dividends		108	108
Other (net)		11,196	11,196
Deferred Fiscal Charges and Other Assets		12	12
Total Assets	<u>\$ 64,790</u>	<u>\$ 44,741</u>	<u>\$ 109,531</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	\$	\$ 12	\$ 12
Deferred Revenue		11,196	11,196
Total Liabilities	<u>0</u>	<u>11,208</u>	<u>11,208</u>
Fund Balances:			
Reserved For:			
Debt Service	64,790	33,533	98,323
Total Fund Balances	<u>64,790</u>	<u>33,533</u>	<u>98,323</u>
Total Liabilities and Fund Balances	<u>\$ 64,790</u>	<u>\$ 44,741</u>	<u>\$ 109,531</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)**

	<u>Building Authority</u>	<u>Tobacco Securitization</u>	<u>Total</u>
Revenue:			
Use of Money and Property	\$	\$ 1,258	\$ 1,258
Tobacco Settlement		22,239	22,239
Other Revenue	53		53
Total Revenue	<u>53</u>	<u>23,497</u>	<u>23,550</u>
Expenditures:			
Current:			
General Government		176	176
Debt Service:			
Principal	11,255	5,700	16,955
Interest	5,979	17,522	23,501
Total Expenditures	<u>17,234</u>	<u>23,398</u>	<u>40,632</u>
Excess of Revenue Over (Under) Expenditures	(17,181)	99	(17,082)
Other Financing Sources (Uses):			
Transfers In	10,322		10,322
Total Other Financing Sources (Uses)	<u>10,322</u>	<u>0</u>	<u>10,322</u>
Net Change in Fund Balances	(6,859)	99	(6,760)
Fund Balances at Beginning of Year	<u>71,649</u>	<u>33,434</u>	<u>105,083</u>
Fund Balances at End of Year	<u>\$ 64,790</u>	<u>\$ 33,533</u>	<u>\$ 98,323</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2005
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 48,270	\$ 21,117	\$ 808	\$ 349	\$ 266
Receivables:					
Interest and Dividends	333		9	1	2
Other Funds		58			2
Component Units					
Other Governments		136			5
Loans and Notes (Net)	2,302				
Other (Net)	5	1,120		15	254
Inventory					
Securities Lending Collateral	3,340		56	22	18
Deferred Fiscal Charges and Other Assets					
Total Current Assets	54,250	22,431	873	387	1,447
Capital Assets:					
Land and Other Non-depreciable Assets				251	103
Property, Plant and Equipment				3,242	559
Accumulated Depreciation				(2,680)	(286)
Construction in Progress					
Total Capital Assets	0	0	0	813	376
Other Noncurrent Assets	27,250				
Total Assets	81,500	22,431	873	1,200	1,823
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	57		1	103	202
Payable To:					
Other Funds	4	20		12	4
Bonds, Notes and Leases Payable					9
Claims, Judgments and Compensated Absences	16		1,850	13	41
Deferred Revenue				334	6
Securities Lending Collateral Liability	3,340		56	22	18
Total Current Liabilities	3,417	20	1,907	484	280
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable					4
Claims, Judgments and Compensated Absences	15		1	11	37
Total Liabilities	3,432	20	1,908	495	321
Net Assets					
Invested In Capital Assets, Net of Related Debt				813	363
Restricted For:					
Unemployment Compensation		22,411			
Revolving Loan Programs					
Unrestricted	78,068		(1,035)	(108)	1,139
Total Net Assets	\$ 78,068	\$ 22,411	\$ (1,035)	\$ 705	\$ 1,502

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 5,496	\$ 1,361	\$ 5,179	\$ 5,461	\$ 254	\$ 2,550	\$ 91,111
120	10	32	35	2	8	552
	187			419		666
	33					33
788						141
	125				10	3,090
	1,013				102	1,529
381	94	359	374	18	170	2,015
	16				15	4,832
						31
<u>6,785</u>	<u>2,839</u>	<u>5,570</u>	<u>5,870</u>	<u>693</u>	<u>2,855</u>	<u>104,000</u>
						354
5	2,365		23	7	90	6,291
(4)	(910)		(18)	(5)	(5)	(3,908)
					81	81
<u>1</u>	<u>1,455</u>	<u>0</u>	<u>5</u>	<u>2</u>	<u>166</u>	<u>2,818</u>
<u>2,453</u>						<u>29,703</u>
<u>9,239</u>	<u>4,294</u>	<u>5,570</u>	<u>5,875</u>	<u>695</u>	<u>3,021</u>	<u>136,521</u>
29	259	28	190	314	64	1,247
8	26	12	46	8	23	163
						9
23	67	574	144	81	11	2,820
	78	281	589		2	1,290
381	94	359	374	18	170	4,832
<u>441</u>	<u>524</u>	<u>1,254</u>	<u>1,343</u>	<u>421</u>	<u>270</u>	<u>10,361</u>
						4
<u>20</u>	<u>61</u>	<u>4</u>	<u>131</u>	<u>73</u>	<u>10</u>	<u>363</u>
<u>461</u>	<u>585</u>	<u>1,258</u>	<u>1,474</u>	<u>494</u>	<u>280</u>	<u>10,728</u>
1	1,455		5	2	166	2,805
						22,411
8,777						8,777
	2,254	4,312	4,396	199	2,575	91,800
<u>\$ 8,778</u>	<u>\$ 3,709</u>	<u>\$ 4,312</u>	<u>\$ 4,401</u>	<u>\$ 201</u>	<u>\$ 2,741</u>	<u>\$ 125,793</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)**

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	953			174	
Sales and Services				1,357	4,568
Administering Programs				31	
Assessments		20,099	7,556		
Other Revenue				172	
Total Operating Revenue	<u>953</u>	<u>20,099</u>	<u>7,556</u>	<u>1,734</u>	<u>4,568</u>
Operating Expenses:					
Personal Services and Benefits	322		21	864	511
Travel	26			20	11
Contractual Services	167		15	1,424	846
Supplies and Materials	8			331	3,150
Other	283			33	
Interest					1
Depreciation/Amortization				40	26
Insurance Claims		30,729	8,669		
Total Operating Expenses	<u>806</u>	<u>30,729</u>	<u>8,705</u>	<u>2,712</u>	<u>4,545</u>
Operating Income (Loss)	147	(10,630)	(1,149)	(978)	23
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets				13	
Loss on Disposal of Assets					
Interest Income	1,285	1,647	42	1	10
Other Expense	(190)		(6)	(1)	(1)
Grant and Other Income	348			25	
Total Nonoperating Revenue (Expenses)	<u>1,443</u>	<u>1,647</u>	<u>36</u>	<u>38</u>	<u>9</u>
Income (Loss) Before Transfers	1,590	(8,983)	(1,113)	(940)	32
Transfers:					
Transfers In				914	
Transfers Out		(207)			
Net Transfers In (Out)	<u>0</u>	<u>(207)</u>	<u>0</u>	<u>914</u>	<u>0</u>
Change in Net Assets	1,590	(9,190)	(1,113)	(26)	32
Net Assets at Beginning of Year	<u>76,478</u>	<u>31,601</u>	<u>78</u>	<u>731</u>	<u>1,470</u>
Net Assets at End of Year	<u>\$ 78,068</u>	<u>\$ 22,411</u>	<u>\$ (1,035)</u>	<u>\$ 705</u>	<u>\$ 1,502</u>

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 39	\$	\$	\$ 4,879	\$ 1,664	\$ 1,235	\$ 7,817
233						1,360
2	2,493	3,520	315	19	1,084	13,358
					47	78
						27,655
24		7	184	2		389
298	2,493	3,527	5,378	1,685	2,366	50,657
332	768	43	2,308	1,046	328	6,543
30	7	1	581	117	15	808
194	336	298	1,671	649	433	6,033
48	1,161		352	30	439	5,519
499			201		6	1,022
						1
	92		4	1	3	166
		3,303				42,701
1,103	2,364	3,645	5,117	1,843	1,224	62,793
(805)	129	(118)	261	(158)	1,142	(12,136)
						13
			(2)			(2)
145	45	127	146	7	34	3,489
(22)	(7)	(20)	(22)	(1)	(5)	(275)
		150				523
123	38	257	122	6	29	3,748
(682)	167	139	383	(152)	1,171	(8,388)
55		501	24	23	82	1,599
(1)	(526)					(734)
54	(526)	501	24	23	82	865
(628)	(359)	640	407	(129)	1,253	(7,523)
9,406	4,068	3,672	3,994	330	1,488	133,316
\$ 8,778	\$ 3,709	\$ 4,312	\$ 4,401	\$ 201	\$ 2,741	\$ 125,793

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 96	\$ 19,817	\$ 7,556	\$ 1,721	\$ 2,685
Receipts from Interfund Services Provided					1,724
Receipts from Federal Agencies		220			101
Receipts from Loan Payments	8,042				
Payments to Suppliers and for Benefits and Claims	(567)		(7,821)	(1,717)	(4,034)
Payments for Employee Services	(325)	(30,884)	(20)	(843)	(503)
Payments for Interfund Services Used	(56)		(1)	(159)	(75)
Payments for Loans Originated	(6,908)				
Other Receipts (Payments)	255				
Net Cash Provided (Used) by Operating Activities	<u>537</u>	<u>(10,847)</u>	<u>(286)</u>	<u>(998)</u>	<u>(102)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets				(18)	
Sales of Capital Assets				13	
Payments on Capital Lease Obligations					(9)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5)</u>	<u>(9)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers In				914	
Transfers Out		(207)			
Received on Interfund Borrowing					
Other Noncapital Financing Activities				25	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(207)</u>	<u>0</u>	<u>939</u>	<u>0</u>
Cash Flows From Investing Activities:					
Investment Income	1,240	1,647	39	(1)	11
Security Lending Rebate Fees	(190)		(6)		(1)
Net Cash Provided (Used) by Investing Activities	<u>1,050</u>	<u>1,647</u>	<u>33</u>	<u>(1)</u>	<u>10</u>
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	1,587	(9,407)	(253)	(65)	(101)
Cash and Cash Equivalents at Beginning of Year	46,683	30,524	1,061	414	367
Cash and Cash Equivalents at End of Year	<u>\$ 48,270</u>	<u>\$ 21,117</u>	<u>\$ 808</u>	<u>\$ 349</u>	<u>\$ 266</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 147	\$ (10,630)	\$ (1,149)	\$ (978)	\$ 23
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense				40	26
Bad Debt Expense					
Interest Expense					1
Miscellaneous Nonoperating Items	348				
Decrease/(Increase) in Assets:					
Accounts Receivable	3	(282)		4	(65)
Interest, Dividends & Penalties Receivable					
Loans and Notes Receivable	159				
Due From Other Funds		(6)			(1)
Due From Component Units					6
Due From Other Governments		70			(5)
Inventory					4
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	(116)	1	(986)	(69)	(104)
Accrued Liabilities	(2)			12	(1)
Compensated Absences Payable	(2)			9	9
Due To Other Funds				2	
Due To Other Component Units					
Deferred Revenue				(18)	5
Policy Claim Liabilities			1,849		
Other Liabilities					
Net Cash Provided (Used) by Operating Activities	<u>\$ 537</u>	<u>\$ (10,847)</u>	<u>\$ (286)</u>	<u>\$ (998)</u>	<u>\$ (102)</u>

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 690	\$ 689 1,832	\$ 3,602	\$ 5,339 116	\$ 1,266	\$ 2,087 90	\$ 45,548 3,762
					187	508
						8,042
(484)	(1,631)	(3,180)	(2,377)	(1,065)	(713)	(23,589)
(324)	(711)	(52)	(2,265)	(953)	(325)	(37,205)
(84)	(177)	(1)	(498)		(182)	(1,233)
			(6)			(6,908)
						249
(202)	2	369	309	(752)	1,144	(10,826)
	(70)				(151)	(239)
						13
						(9)
0	(70)	0	0	0	(151)	(235)
55	(526)	501	24	23	82	1,599
					2	(733)
		150				2
						175
55	(526)	651	24	23	84	1,043
134	44	107	134	11	31	3,397
(22)	(7)	(20)	(22)	(1)	(5)	(274)
112	37	87	112	10	26	3,123
(35)	(557)	1,107	445	(719)	1,103	(6,895)
5,531	1,918	4,072	5,016	973	1,447	98,006
<u>\$ 5,496</u>	<u>\$ 1,361</u>	<u>\$ 5,179</u>	<u>\$ 5,461</u>	<u>\$ 254</u>	<u>\$ 2,550</u>	<u>\$ 91,111</u>
\$ (805)	\$ 129	\$ (118)	\$ 261	\$ (158)	\$ 1,142	\$ (12,136)
	92		4	1	3	166
431						431
						1
						348
	(38)				10	(368)
(12)						(12)
188						347
8	13		2	(420)	(1)	(405)
	4					10
						65
	(419)				(31)	(446)
	(13)	2			17	6
(19)	122	18	(39)	(158)	14	(1,336)
2	16	(1)	20	(7)	2	41
6	38	(8)	24	(11)	2	67
(1)		12	(38)	1	2	(22)
	1					1
	57	75	75		(16)	178
						1,849
		389				389
<u>\$ (202)</u>	<u>\$ 2</u>	<u>\$ 369</u>	<u>\$ 309</u>	<u>\$ (752)</u>	<u>\$ 1,144</u>	<u>\$ (10,826)</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005
(Expressed in Thousands)

Assets	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Current Assets:						
Cash and Cash Equivalents	\$ 27,603	\$ 1,438	\$ 2,973	\$ 5,198	\$ 590	\$ 668
Receivables:						
Interest and Dividends	175	9	18	32	2	3
Other Funds	33	1,261	767	845	889	301
Component Units		19	207	37		1
Other Governments						
Other		4	39		1	2
Inventory		13	384		37	230
Securities Lending Collateral	1,912	100	206	360	41	46
Deferred Fiscal Charges and Other Assets	338	569	176	354		19
Total Current Assets	30,061	3,413	4,770	6,826	1,560	1,270
Capital Assets:						
Property, Plant and Equipment	9	9,764	4,658	9,296	1,003	461
Accumulated Depreciation	(7)	(6,327)	(4,099)	(8,200)	(760)	(370)
Construction in Progress		436	13			64
Total Capital Assets	2	3,873	572	1,096	243	155
Total Assets	30,063	7,286	5,342	7,922	1,803	1,425
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	246	1,327	756	35	238	96
Payable To:						
Other Funds	33	128	122	78	16	6
Component Units						
Bonds, Notes and Leases Payable		62				
Claims, Judgments and Compensated Absences	8,763	951	344	87	137	38
Deferred Revenue	6,033					
Securities Lending Collateral Liability	1,912	100	206	360	41	46
	<u>16,987</u>	<u>2,568</u>	<u>1,428</u>	<u>560</u>	<u>432</u>	<u>186</u>
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		216				
Claims, Judgments and Compensated Absences	11	866	313	80	125	34
Total Liabilities	16,998	3,650	1,741	640	557	220
Net Assets						
Invested In Capital Assets, Net of Related Debt	2	3,595	572	1,096	243	155
Unrestricted	13,063	41	3,029	6,186	1,003	1,050
Total Net Assets	\$ 13,065	\$ 3,636	\$ 3,601	\$ 7,282	\$ 1,246	\$ 1,205

<u>Rural Development Telecommunica- tions Network</u>	<u>Public Entity Pool for Liability</u>	<u>Fleet and Travel Management</u>	<u>Personnel</u>	<u>Workers Compensation</u>	<u>Other</u>	<u>Total</u>
\$ 431	\$ 11,627	\$ 2,755	\$ 397	\$ 4,727	\$ 3,128	\$ 61,535
2	59	9	1	29	23	362
129		1,305	313		783	6,626
		328	1		81	674
		5			99	104
14		8	3		213	284
					357	1,021
30	804	193	27	327	217	4,263
28		23			3	1,510
<u>634</u>	<u>12,490</u>	<u>4,626</u>	<u>742</u>	<u>5,083</u>	<u>4,904</u>	<u>76,379</u>
689	28	36,850	38		7,490	70,286
(606)	(28)	(23,958)	(29)		(2,412)	(46,796)
		35				548
<u>83</u>	<u>0</u>	<u>12,927</u>	<u>9</u>	<u>0</u>	<u>5,078</u>	<u>24,038</u>
<u>717</u>	<u>12,490</u>	<u>17,553</u>	<u>751</u>	<u>5,083</u>	<u>9,982</u>	<u>100,417</u>
27	20	467	186	12	523	3,933
19	5	374	52	24	255	1,112
		40				40
		2,426			206	2,694
33	1,183	34	246	2,229	436	14,481
					35	6,068
<u>30</u>	<u>804</u>	<u>193</u>	<u>27</u>	<u>327</u>	<u>217</u>	<u>4,263</u>
<u>109</u>	<u>2,012</u>	<u>3,534</u>	<u>511</u>	<u>2,592</u>	<u>1,672</u>	<u>32,591</u>
		5,040			547	5,803
<u>30</u>	<u>3,373</u>	<u>31</u>	<u>224</u>	<u>11,818</u>	<u>397</u>	<u>17,302</u>
<u>139</u>	<u>5,385</u>	<u>8,605</u>	<u>735</u>	<u>14,410</u>	<u>2,616</u>	<u>55,696</u>
83		5,461	9		4,325	15,541
495	7,105	3,487	7	(9,327)	3,041	29,180
<u>\$ 578</u>	<u>\$ 7,105</u>	<u>\$ 8,948</u>	<u>\$ 16</u>	<u>\$ (9,327)</u>	<u>\$ 7,366</u>	<u>\$ 44,721</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2005
(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	\$ 18	\$	\$	\$	\$	\$
Sales and Services	84,410	15,677	12,218	2,810	4,100	3,659
Other Revenue	773					
Total Operating Revenue:	<u>85,201</u>	<u>15,677</u>	<u>12,218</u>	<u>2,810</u>	<u>4,100</u>	<u>3,659</u>
Operating Expenses:						
Personal Services and Benefits	371	10,740	4,124	504	2,340	321
Travel	17	74	141	3	20	2
Contractual Services	6,360	3,726	7,221	1,798	1,129	128
Supplies and Materials	91	710	666	90	527	3,114
Interest		11				
Depreciation/Amortization		1,285	493	543	67	27
Insurance Claims	75,637					
Total Operating Expenses	<u>82,476</u>	<u>16,546</u>	<u>12,645</u>	<u>2,938</u>	<u>4,083</u>	<u>3,592</u>
Operating Income (Loss)	2,725	(869)	(427)	(128)	17	67
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets			6		9	
Loss on Disposal of Assets	(4)					(7)
Interest Income	720	35	73	132	8	10
Other Expense	(112)	(6)	(11)	(20)	(1)	(2)
Total Nonoperating Revenue (Expenses)	<u>604</u>	<u>29</u>	<u>68</u>	<u>112</u>	<u>16</u>	<u>1</u>
Income (Loss) Before Transfers	3,329	(840)	(359)	(16)	33	68
Transfers:						
Transfers In		2		400	1	
Transfers Out			(2)			
Net Transfers In (Out)	<u>0</u>	<u>2</u>	<u>(2)</u>	<u>400</u>	<u>1</u>	<u>0</u>
Change in Net Assets	<u>3,329</u>	<u>(838)</u>	<u>(361)</u>	<u>384</u>	<u>34</u>	<u>68</u>
Net Assets at Beginning of Year	<u>9,736</u>	<u>4,474</u>	<u>3,962</u>	<u>6,898</u>	<u>1,212</u>	<u>1,137</u>
Net Assets at End of Year	<u>\$ 13,065</u>	<u>\$ 3,636</u>	<u>\$ 3,601</u>	<u>\$ 7,282</u>	<u>\$ 1,246</u>	<u>\$ 1,205</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$	\$ 18
896	3,772	13,698	3,682	3,779	11,244	159,945
	657		1	120	31	1,582
<u>896</u>	<u>4,429</u>	<u>13,698</u>	<u>3,683</u>	<u>3,899</u>	<u>11,275</u>	<u>161,545</u>
318	232	506	2,773	108	5,060	27,397
9	17	12	76		283	654
485	998	2,531	622	181	2,441	27,620
57	14	5,728	173	6	3,365	14,541
		242			51	304
26		4,836	2		482	7,761
	1,642			1,958	340	79,577
<u>895</u>	<u>2,903</u>	<u>13,855</u>	<u>3,646</u>	<u>2,253</u>	<u>12,022</u>	<u>157,854</u>
1	1,526	(157)	37	1,646	(747)	3,691
		347			13	375
		(167)			(9)	(187)
8	252	35	4	124	96	1,497
(1)	(38)	(6)		(19)	(23)	(239)
<u>7</u>	<u>214</u>	<u>209</u>	<u>4</u>	<u>105</u>	<u>77</u>	<u>1,446</u>
8	1,740	52	41	1,751	(670)	5,137
		14	243		1,954	2,614
					(511)	(513)
<u>0</u>	<u>0</u>	<u>14</u>	<u>243</u>	<u>0</u>	<u>1,443</u>	<u>2,101</u>
8	1,740	66	284	1,751	773	7,238
<u>570</u>	<u>5,365</u>	<u>8,882</u>	<u>(268)</u>	<u>(11,078)</u>	<u>6,593</u>	<u>37,483</u>
<u>\$ 578</u>	<u>\$ 7,105</u>	<u>\$ 8,948</u>	<u>\$ 16</u>	<u>\$ (9,327)</u>	<u>\$ 7,366</u>	<u>\$ 44,721</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Self-Insurance	Information Services	Tele-communications	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 45,826	\$ 331	\$ 2,988	\$ 196	\$ 11	\$ 149
Receipts from Interfund Services Provided	39,642	15,706	9,405	2,600	4,093	3,535
Payments to Suppliers and for Benefits and Claims	(80,592)	(3,223)	(7,002)	(896)	(1,259)	(3,313)
Payments for Employee Services	(390)	(10,577)	(4,043)	(485)	(2,376)	(320)
Payments for Interfund Services Used	(411)	(1,188)	(734)	(1,098)	(410)	(73)
Other Receipts (Payments)						
Net Cash Provided (Used) by Operating Activities	4,075	1,049	614	317	59	(22)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(1,655)	(368)		(24)	(19)
Sales of Capital Assets			6		9	
Payments on Capital Lease Obligations		(90)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,745)	(362)	0	(15)	(19)
Cash Flows From Noncapital Financing Activities:						
Transfers In				400		
Transfers Out						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	400	0	0
Cash Flows From Investing Activities						
Investment Income (Expense)	647	28	64	121	7	9
Security Lending Rebate Fees	(112)	(6)	(11)	(20)	(1)	(2)
Net Cash Provided (Used) by Investing Activities	535	22	53	101	6	7
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	4,610	(674)	305	818	50	(34)
Cash and Cash Equivalents at Beginning of Year	22,993	2,112	2,668	4,380	540	702
Cash and Cash Equivalents at End of Year	\$ 27,603	\$ 1,438	\$ 2,973	\$ 5,198	\$ 590	\$ 668
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 2,725	\$ (869)	\$ (427)	\$ (128)	\$ 17	\$ 67
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,285	493	543	67	27
Interest Expense		11				
Miscellaneous Nonoperating Items						
Decrease/(Increase) in Assets:						
Accounts Receivable		(3)	6			6
Due From Other Funds	(33)	357	121	(28)	3	24
Due From Component Units		4	52	14		1
Due From Other Governments						
Inventory		5	130		(2)	(139)
Deferred Fiscal Charges and Other Assets	103	(16)	45	(61)	6	(8)
Increase/(Decrease) in Liabilities:						
Accounts Payable	(55)	116	105		10	
Accrued Liabilities		32	14	4	(8)	
Compensated Absences Payable	(19)	131	67	15	(27)	1
Due To Other Funds	(4)	(4)	10	(42)	(7)	(1)
Due to Component Units						
Deferred Revenue	266		(2)			
Policy Claim Liabilities	1,092					
Net Cash Provided (Used) by Operating Activities	\$ 4,075	\$ 1,049	\$ 614	\$ 317	\$ 59	\$ (22)
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	(4)		6		9	(7)
Capital Lease Obligations Entered Into						
Transfers In (Out) of Fixed Assets		2	(2)			

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 434	\$ 955	\$ 2,347	\$ 31	\$ 1,185	\$ 2,113	\$ 56,566
478	2,819	11,418	3,568	2,714	9,115	105,093
(470)	(2,565)	(2,242)	(363)	(3,015)	(4,592)	(109,532)
(312)	(211)	(500)	(2,726)	(116)	(5,021)	(27,077)
(112)	(62)	(5,880)	(511)	(20)	(1,758)	(12,257)
	1,085				(88)	997
18	2,021	5,143	(1)	748	(231)	13,790
(29)		(1,767)			(284)	(4,146)
		859			13	887
		(3,568)			(228)	(3,886)
(29)	0	(4,476)	0	0	(499)	(7,145)
			243		454	1,097
					(511)	(511)
0	0	0	243	0	(57)	586
7	238	29	5	115	91	1,361
(1)	(38)	(6)		(19)	(14)	(230)
6	200	23	5	96	77	1,131
(5)	2,221	690	247	844	(710)	8,362
436	9,406	2,065	150	3,883	3,838	53,173
<u>\$ 431</u>	<u>\$ 11,627</u>	<u>\$ 2,755</u>	<u>\$ 397</u>	<u>\$ 4,727</u>	<u>\$ 3,128</u>	<u>\$ 61,535</u>

\$ 1	\$ 1,526	\$ (157)	\$ 37	\$ 1,646	\$ (747)	\$ 3,691
26		4,836	2		482	7,761
		274			51	336
					22	22
5	436	1			(70)	381
10	2	57	(84)		42	471
		8	(2)		(4)	73
		1			27	28
					(22)	(28)
(28)		(16)			13	38
	(15)	87	4	6	45	303
1	4	(1)	7	(2)	(1)	50
5	17	7	41	(5)	55	288
(2)		45	(6)	22	(151)	(140)
		1				1
						264
	51			(919)	27	251
<u>\$ 18</u>	<u>\$ 2,021</u>	<u>\$ 5,143</u>	<u>\$ (1)</u>	<u>\$ 748</u>	<u>\$ (231)</u>	<u>\$ 13,790</u>

180	4	188
(4,215)		(4,215)
14	1,500	1,514

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2005
(Expressed in Thousands)

Assets	South Dakota Retirement System	Cement Plant Retirement System	Total
Cash and Cash Equivalents	\$ 1,613	\$ 1,486	\$ 3,099
Receivables:			
Employer	2,377		2,377
Employee	10,627		10,627
Benefits	123		123
Unsettled Investment Sales	113,505	2,332	115,837
Investment Income	20,395	153	20,548
Total Receivables	147,027	2,485	149,512
Investments, at Fair Value:			
Fixed Income	1,695,013	7,856	1,702,869
Equities	3,835,785	25,831	3,861,616
Real Estate	415,747	2,466	418,213
Private Equity	262,283	1,799	264,082
Total Investments	6,208,828	37,952	6,246,780
Securities Lending Collateral	383,218	1,510	384,728
Properties, at Cost	75		75
Accumulated Depreciation	(42)		(42)
Other Assets	13		13
Total Assets	6,740,732	43,433	6,784,165
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,654		2,654
Due to Other Funds	36		36
Compensated Absences Payable	240		240
Securities Sold, But Not Yet Purchased, at Fair Value	182,008		182,008
Unsettled Investment Purchases	12,640	1,424	14,064
Securities Lending Collateral Liability	383,218	1,510	384,728
Total Liabilities	580,796	2,934	583,730
Net Assets Held In Trust For Pension and Other Employee Benefits	\$ 6,159,936	\$ 40,499	\$ 6,200,435

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Additions			
Contributions:			
Employee	\$ 89,159	\$	\$ 89,159
Employer	77,475		77,475
Total Contributions	<u>166,634</u>	<u>0</u>	<u>166,634</u>
Investment Income:			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	541,804	3,666	545,470
Interest	79,719	527	80,246
Dividends	89,202	596	89,798
Real Estate	15,196	93	15,289
Investment Activity Income	<u>725,921</u>	<u>4,882</u>	<u>730,803</u>
Less Investment Activity Expenses	<u>(11,099)</u>	<u>(46)</u>	<u>(11,145)</u>
Net Investment Activity Income	714,822	4,836	719,658
<i>From Security Lending Activities</i>			
Security Lending Income	8,272	40	8,312
Security Lending Expenses	<u>(6,855)</u>	<u>(36)</u>	<u>(6,891)</u>
Net Security Lending Activity Income	<u>1,417</u>	<u>4</u>	<u>1,421</u>
Net Investment Income (Loss)	<u>716,239</u>	<u>4,840</u>	<u>721,079</u>
Transfers From Other Funds		790	790
Total Additions	<u>882,873</u>	<u>5,630</u>	<u>888,503</u>
Deductions			
Benefits	217,550	2,373	219,923
Refunds of Contributions	20,841		20,841
Administrative Expenses	2,772	72	2,844
Total Deductions	<u>241,163</u>	<u>2,445</u>	<u>243,608</u>
Net Increase	641,710	3,185	644,895
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	<u>5,518,226</u>	<u>37,314</u>	<u>5,555,540</u>
End of Year	<u>\$ 6,159,936</u>	<u>\$ 40,499</u>	<u>\$ 6,200,435</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2005
(Expressed in Thousands)

Assets	Common School	Child's Own	Corrections	Other	Total
Cash and Cash Equivalents	\$ 13,487	\$ 245	\$ 1,139	\$ 1,910	\$ 16,781
Receivables:					
Due from Other Funds			112	14	126
Investment Income	551	1		2	554
Other	43	190		1	234
Total Receivables	<u>594</u>	<u>191</u>	<u>112</u>	<u>17</u>	<u>914</u>
Investments, at Fair Value:					
Pooled Investment Funds	116,325				116,325
Money Market				<u>2</u>	<u>2</u>
Total Investments	<u>116,325</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>116,327</u>
Securities Lending Collateral	17,732	6		110	17,848
Properties, at Cost	12,817			36	12,853
Other Assets				<u>36</u>	<u>36</u>
Total Assets	<u>160,955</u>	<u>442</u>	<u>1,251</u>	<u>2,111</u>	<u>164,759</u>
Liabilities					
Payables:					
Accounts Payable and Other Liabilities		212		106	318
Due To Other Funds			98	28	126
Securities Lending Collateral Liability	17,732	6		110	17,848
Total Liabilities	<u>17,732</u>	<u>218</u>	<u>98</u>	<u>244</u>	<u>18,292</u>
Net Assets Held In Trust For Others	<u>\$ 143,223</u>	<u>\$ 224</u>	<u>\$ 1,153</u>	<u>\$ 1,867</u>	<u>\$ 146,467</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Additions					
Contributions:					
From Participants	\$	\$	\$	\$ 217	\$ 217
From Clients and Inmates			5,546	921	6,467
Total Contributions	<u>0</u>	<u>0</u>	<u>5,546</u>	<u>1,138</u>	<u>6,684</u>
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	2,429	(1)		(3)	2,425
Interest	6,726	4		13	6,743
Dividends	1,456				1,456
Net Investment Activity Income	<u>10,611</u>	<u>3</u>	<u>0</u>	<u>10</u>	<u>10,624</u>
<i>From Security Lending Activities</i>					
Security Lending Income	370	1		2	373
Security Lending Expenses	(340)	(1)		(2)	(343)
Net Security Lending Activity Income	<u>30</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30</u>
Net Investment Income (Loss)	<u>10,641</u>	<u>3</u>	<u>0</u>	<u>10</u>	<u>10,654</u>
Escheated Property	36				36
Gain from Sale of Assets	1,865				1,865
Miscellaneous Income	3,146	783			3,929
Transfers From Other Funds				15	15
Total Additions	<u>15,688</u>	<u>786</u>	<u>5,546</u>	<u>1,163</u>	<u>23,183</u>
Deductions					
Distribution to School Districts	4,297				4,297
Payments made for Trust Purposes		834	5,370	1,127	7,331
Administrative Expenses	3	1			4
Total Deductions	<u>4,300</u>	<u>835</u>	<u>5,370</u>	<u>1,127</u>	<u>11,632</u>
Net Increase (Decrease)	11,388	(49)	176	36	11,551
Net Assets Held In Trust For Others					
Beginning of Year	<u>131,835</u>	<u>273</u>	<u>977</u>	<u>1,831</u>	<u>134,916</u>
End of Year	<u>\$ 143,223</u>	<u>\$ 224</u>	<u>\$ 1,153</u>	<u>\$ 1,867</u>	<u>\$ 146,467</u>



STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2005
(Expressed in Thousands)

	Department of Revenue - Tax Collections	Social Services - Child Support	State Auditor - Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	\$ 7,804	\$ 437	\$ 3,843	\$ 3,765	\$ 1,459	\$ 17,308
Receivables:						
Taxes Receivable (net)	26,413					26,413
Due From Other Governments	419				61	480
Investment Income	53				2	55
Other	83				23	106
Total Receivables	<u>26,968</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>86</u>	<u>27,054</u>
Total Assets	<u>\$ 34,772</u>	<u>\$ 437</u>	<u>\$ 3,843</u>	<u>\$ 3,765</u>	<u>\$ 1,545</u>	<u>\$ 44,362</u>
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 2,876	\$ 437	\$ 2	\$ 3,765	\$ 526	\$ 7,606
Due To Other Governments	31,896		3,841		1,019	36,756
Total Liabilities	<u>\$ 34,772</u>	<u>\$ 437</u>	<u>\$ 3,843</u>	<u>\$ 3,765</u>	<u>\$ 1,545</u>	<u>\$ 44,362</u>

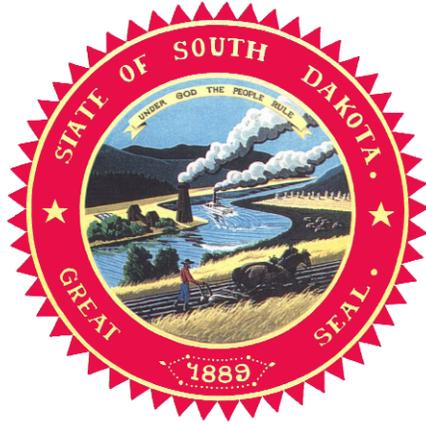
**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)**

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 14,850	\$ 240,252	\$ 247,298	\$ 7,804
Accounts Receivable	99	83	99	83
Taxes Receivable (Net)	24,705	29,547	27,839	26,413
Interest and Dividends Receivable	37	53	37	53
Due From Other Governments	344	419	344	419
Total Assets	<u>\$ 40,035</u>	<u>\$ 270,354</u>	<u>\$ 275,617</u>	<u>\$ 34,772</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 4,167	\$ 3,759	\$ 5,050	\$ 2,876
Due To Other Governments	35,868	266,595	270,567	31,896
Total Liabilities	<u>\$ 40,035</u>	<u>\$ 270,354</u>	<u>\$ 275,617</u>	<u>\$ 34,772</u>
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 487	\$ 83,410	\$ 83,460	\$ 437
Total Assets	<u>\$ 487</u>	<u>\$ 83,410</u>	<u>\$ 83,460</u>	<u>\$ 437</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 487	\$ 83,410	\$ 83,460	\$ 437
Total Liabilities	<u>\$ 487</u>	<u>\$ 83,410</u>	<u>\$ 83,460</u>	<u>\$ 437</u>
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 3,617	\$ 151,530	\$ 151,304	\$ 3,843
Total Assets	<u>\$ 3,617</u>	<u>\$ 151,530</u>	<u>\$ 151,304</u>	<u>\$ 3,843</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 0	\$ 1,999	\$ 1,997	\$ 2
Due To Other Governments	3,617	149,531	149,307	3,841
Total Liabilities	<u>\$ 3,617</u>	<u>\$ 151,530</u>	<u>\$ 151,304</u>	<u>\$ 3,843</u>
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 3,364	\$ 9,749	\$ 9,348	\$ 3,765
Total Assets	<u>\$ 3,364</u>	<u>\$ 9,749</u>	<u>\$ 9,348</u>	<u>\$ 3,765</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 3,364	\$ 9,749	\$ 9,348	\$ 3,765
Total Liabilities	<u>\$ 3,364</u>	<u>\$ 9,749</u>	<u>\$ 9,348</u>	<u>\$ 3,765</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2005
(Expressed in Thousands)**

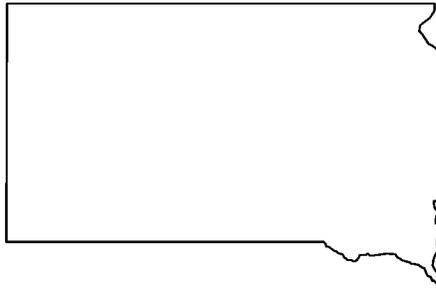
Other Agency Funds	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets:				
Cash and Cash Equivalents	\$ 1,136	\$ 27,957	\$ 27,634	\$ 1,459
Accounts Receivable	0	23	0	23
Interest and Dividends Receivable	1	2	1	2
Due From Other Governments	208	751	898	61
Total Assets	\$ 1,345	\$ 28,733	\$ 28,533	\$ 1,545
Liabilities:				
Accounts Payable and Other Liabilities	\$ 386	\$ 25,770	\$ 25,630	\$ 526
Due To Other Governments	959	1,314	1,254	1,019
Total Liabilities	\$ 1,345	\$ 27,084	\$ 26,884	\$ 1,545
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 23,454	\$ 512,898	\$ 519,044	\$ 17,308
Accounts Receivable	99	106	99	106
Taxes Receivable (Net)	24,705	29,547	27,839	26,413
Interest and Dividends Receivable	38	55	38	55
Due From Other Governments	552	1,170	1,242	480
Total Assets	\$ 48,848	\$ 543,776	\$ 548,262	\$ 44,362
Liabilities:				
Accounts Payable and Other Liabilities	\$ 8,404	\$ 124,687	\$ 125,485	\$ 7,606
Due To Other Governments	40,444	417,440	421,128	36,756
Total Liabilities	\$ 48,848	\$ 542,127	\$ 546,613	\$ 44,362





STATISTICAL SECTION

SOUTH DAKOTA - MISCELLANEOUS



CAPITAL CITY: PIERRE

ADMITTED TO THE UNION: 1889

NICKNAME: THE MOUNT RUSHMORE STATE

MOTTO: UNDER GOD THE PEOPLE RULE

POPULATION ESTIMATE 2005: 775,933

POPULATION CENSUS 2000: 754,844

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

**POPULATION PER SQUARE MILE IN 2000:
9.9**

DIVIDED INTO 66 COUNTIES

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

**LOWEST ELEVATION POINT: 962 FEET (BIG
STONE LAKE)**

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

STATE TREE: BLACK HILLS SPRUCE

STATE FLOWER: AMERICAN PASQUE

STATE ANIMAL: COYOTE

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

STATE FISH: WALLEYE

**STATE INSECT: HONEY BEE
(APIS MELLIFERA L.)**

STATE GEM STONE: FAIRBURN AGATE

STATE MINERAL: ROSE QUARTZ

STATE JEWELRY: BLACK HILLS GOLD

**STATE SLOGAN: GREAT FACES,
GREAT PLACES**

STATE SOIL: HOUDEK

STATE DESSERT: KUCHEN

STATE SONG: "HAIL, SOUTH DAKOTA"

STATE FOSSIL: TRICERATOPS

STATE GREETING: "HOW KOLA!"

STATE SPORT: RODEO

SOUTH DAKOTA

SQUARE MILES OF LAND	75,885
MILES OF HIGHWAY	83,609
STATE PARKS	12
NATIONAL PARKS/MONUMENTS/MEMORIALS	7
STATE UNIVERSITIES	6
PRIVATE COLLEGES AND UNIVERSITIES	13
VOCATIONAL/TECHNICAL SCHOOLS	4

CLIMATE

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

Average January temperature: 11.4° Fahrenheit in the northeast to 20.4° Fahrenheit in the southwest.

Average July temperature: 70.2° Fahrenheit in the Black Hills to 76.3° Fahrenheit in the south-central part of the state.

Average annual precipitation is 20.41 inches.

HIGHWAYS

South Dakota is served by two interstate highways: I-90 runs east-west, and I-29 runs north-south. The speed limit on interstate highways is 75 miles per hour, with most other highways at 65 miles per hour.

TWO TIME ZONES

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

AIRLINES

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

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

STATE OF SOUTH DAKOTA

Revenue by Source All Governmental Fund Types For the Last Ten Fiscal Years (Expressed in Thousands)

Revenues:	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Taxes:										
Sales & Use	\$554,645	\$ 524,706	\$ 488,742	\$ 471,025	\$ 452,795	\$ 435,942	\$ 407,967	\$ 389,205	\$ 371,817	\$ 343,115
Inheritance	4,440	9,385	27,036	22,164	33,734	26,234	23,759	22,866	20,085	20,177
Insurance Company	56,295	52,623	48,545	45,440	43,093	39,340	34,976	33,023	33,680	32,050
Liquor	12,349	12,281	10,899	11,219	10,936	8,262	8,240	7,458	7,542	7,489
Cigarette	26,246	26,270	20,336	17,466	18,159	17,921	19,374	19,895	19,986	21,874
Bank Franchise	51,281	47,458	46,847	41,784	42,059	35,609	39,813	28,705	27,388	28,231
Contractor's Excise	66,555	60,322	56,853	53,449	50,150	47,555	43,399	43,371	36,397	31,558
Severance	3,060	1,989	2,027	3,019	2,174	2,066	3,131	2,385	6,584	6,522
Other Tobacco	1,456	1,341	1,330	1,258	1,178	1,163	1,071	1,022	986	
Special Revenue*									106,545	102,644
Motor Vehicle & Fuel	179,424	181,935	177,828	173,805	116,510	120,038	103,479	104,193		
Other	55,022	50,254	49,537	49,659	19,880	18,525	17,127	19,572		
Subtotal	1,010,775	968,564	929,980	890,288	790,668	752,655	702,336	671,695	631,010	593,660
Other Revenue:										
Licenses, Permits & Fees	150,695	144,392	139,700	136,917	216,816	164,017	154,097	147,753	131,685	125,404
Fines, Forfeits & Penalties	8,601	7,549	6,723	6,845	7,741	13,431	5,707	4,611	3,844	3,924
Use of Money & Property	96,156	66,892	92,569	63,558	64,629	42,579	35,404	35,809	29,323	27,079
Sales & Services	26,645	26,267	24,843	19,111	24,131	20,621	19,528	19,240	19,337	15,619
Admin. Programs	1,185,536	1,125,402	1,093,374	1,027,860	960,393	801,887	766,539	765,050	671,939	692,696
Tobacco Settlement	22,239	21,911	25,603							
Other Revenue	24,409	24,817	21,348	46,427	14,840	14,393	10,503	13,071	6,760	8,552
Total Revenue	\$2,525,056	\$2,385,794	\$2,334,140	\$2,191,006	\$2,079,218	\$1,809,583	\$1,694,114	\$1,657,229	\$1,493,898	\$1,466,934

Expenditures By Function All Governmental Fund Types For the Last Ten Fiscal Years (Expressed in Thousands)

Expenditures:	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General Government	\$71,221	\$ 63,634	\$ 62,544	\$ 61,705	\$ 89,547	\$ 87,334	\$ 76,225	\$ 67,946	\$ 105,123	\$ 102,299
Education	653,690	616,440	586,041	592,498						
Health, Human and Social Services	976,328	903,694	874,339	834,224						
Law, Justice, Public Protection and Regulation	211,421	195,300	175,346	149,657						
Agriculture & Natural Resources	100,920	97,095	107,985	97,297						
Commerce & Regulation				13,279						
Economic Resources	42,436	37,354	36,831	28,133	31,406	36,263	41,832	27,259	15,048	18,749
Education & Research					415,653	400,348	382,039	367,996	317,210	271,319
Transportation	440,681	390,903	390,628	411,526	440,104	368,225	295,049	337,513	276,989	273,724
Human Resources					810,264	706,830	674,363	646,759	617,416	611,658
Natural Resources					85,962	73,873	69,167	69,305	59,233	67,255
Protection of Domain					66,438	62,222	69,090	85,014	81,749	74,288
State Shared Revenue	87,105	82,878	83,945	80,434	68,009					
Capital Outlay		1	36	5	65	2,694	1,862	588	5,690	15,576
Debit Service:										
Principal	16,955	16,528	18,653	11,428	11,687	12,333	12,242	11,797	6,490	8,693
Interest	23,501	24,426	19,778	7,743	8,712	11,133	11,682	11,755	14,669	14,779
Bond Issuance Costs			1,618							
Other										32
Total Expenditures	\$2,624,258	\$2,428,253	\$2,357,744	\$2,287,929	\$2,027,847	\$1,761,255	\$1,633,551	\$1,625,932	\$1,499,617	\$1,458,372

Note: Reorganization in FY2002 and FY2003. Compare FY2001 CAFR to FY2002 CAFR and FY2002 CAFR to FY2003 CAFR for changes in "Function's of State Government".

*Combination of Motor Vehicle and Fuel/Other Taxes.

Source: South Dakota Comprehensive Annual Financial Reports (1996-2005).

2004 SOURCES OF INCOME PERCENT OF TOTAL

SOURCE	SOUTH DAKOTA	UNITED STATES
Labor Compensation *	51.4%	60.3%
Proprietors' Income	14.2%	9.2%
<i>Nonfarm</i>	8.7%	8.8%
<i>Farm</i>	5.6%	0.4%
Transfer Payments	14.1%	14.7%
Dividend, Interest, and Rent	20.3%	15.8%

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

SOURCE: U.S. Department of Commerce, September 2005. Compiled by, USD Business Research Bureau, South Dakota State Data Center.

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2004	\$33,041	4.9%	\$32,236	5.4%	\$30,617	5.3%
2003r	31,487	2.2%	30,582	3.3%	29,063	8.2%
2002r	30,814	0.8%	29,613	2.0%	26,864	-0.3%
2001r	30,575	2.4%	29,045	2.5%	26,944	4.8%
2000r	29,845	6.8%	28,326	5.9%	25,720	5.1%
1999	27,939	3.9%	26,737	3.1%	24,475	4.2%
1998	26,883	6.1%	25,928	6.2%	23,488	7.0%
1997	25,334	4.8%	24,422	4.5%	21,949	2.1%
1996	24,175	4.8%	23,378	6.6%	21,488	10.2%
1995	23,076	4.1%	21,934	3.5%	19,501	0.6%

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

r = Revised

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

SOURCE: U.S. Department of Commerce, September 2005. U.S. Census Bureau for midyear (July 1) population estimates. Compiled by, USD Business Research Bureau, South Dakota State Data Center.

TAXABLE SALES FOR THE 10 LARGEST CITIES IN SD
% of FY Total and Trends
(In Thousands)

City:	2005	% of Total	2004	% of Total	2003	% of Total	2002	% of Total	2001	% of Total
Sioux Falls	\$3,487,747	25.9%	\$3,286,191	25.8%	\$ 3,133,632	26.5%	\$ 2,850,931	24.8%	\$ 2,856,039	25.1%
Rapid City	1,925,140	14.3%	1,851,713	14.6%	1,725,394	14.6%	1,604,666	14.0%	1,556,121	13.7%
Aberdeen	613,654	4.6%	\$572,757	4.5%	514,709	4.4%	477,745	4.2%	505,887	4.4%
Watertown	515,347	3.8%	\$481,937	3.8%	444,240	3.8%	406,439	3.5%	434,897	3.8%
Mitchell	451,215	3.3%	\$412,624	3.3%	375,356	3.2%	347,966	3.0%	345,564	3.0%
Brookings	380,041	2.8%	\$350,091	2.8%	302,449	2.6%	261,926	2.3%	274,375	2.4%
Yankton	318,532	2.4%	\$291,989	2.3%	267,766	2.3%	251,767	2.2%	260,064	2.3%
Pierre	258,930	1.9%	\$247,562	1.9%	232,593	2.0%	219,144	1.9%	217,528	1.9%
Spearfish	227,691	1.7%	\$214,631	1.7%	190,451	1.6%	173,456	1.5%	168,985	1.5%
Huron	200,363	1.5%	\$221,023	1.7%	184,429	1.6%	179,603	1.6%	186,249	1.6%
Subtotal	\$8,378,660	62.2%	\$7,930,513	62.4%	\$ 7,371,019	62.4%	\$ 6,773,643	58.9%	\$ 6,805,709	59.9%
State Total	\$13,464,591		\$12,700,067		\$11,819,540		\$11,491,333		\$11,369,578	

SOURCE: South Dakota Sales and Use Tax Reporting System Returns Filed, Fiscal Year 2005, SD Dep. Of Revenue and Regulation

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

	2004		2003r		2002r		2001		2000	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank
PER CAPITA (CURRENT DOLLARS)										
U.S.	2,205	-	\$1,892	-	\$1,862	-	\$1,966	-	\$1,922	-
South Dakota	1,378	49	1,324	49	1,285	50	1,289	50	1,228	50
Iowa	1,738	39	1,673	36	1,706	31	1,759	33	1,772	31
Minnesota	2,889	4	2,761	2	2,632	3	2,715	3	2,711	4
Montana	1,754	37	1,620	38	1,585	39	1,652	39	1,564	42
Nebraska	2,083	18	1,927	19	1,734	30	1,766	32	1,742	32
North Dakota	1,938	28	1,861	24	1,762	27	1,829	27	1,826	26
Wyoming	2,968	2	2,425	7	2,193	9	2,277	9	1,952	17
PER \$1,000 PERSONAL INCOME										
U.S.	\$ 61	-	\$ 60	-	\$ 60	-	\$ 64	-	\$ 64	-
South Dakota	45	47	46	47	48	47	48	48	48	48
Iowa	56	39	59	33	61	27	65	28	67	25
Minnesota	80	7	81	4	79	7	83	4	84	6
Montana	63	26	62	27	63	24	67	24	68	22
Nebraska	65	23	63	25	59	29	62	31	63	30
North Dakota	66	16	65	18	67	19	71	18	73	17
Wyoming	87	3	75	9	71	13	75	13	69	21

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

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

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2005	296,410	0.9%	19,816	0.6%	776	0.7%
2004	293,657	1.0%	19,697	0.6%	771	0.8%
2003	290,850	1.0%	19,582	0.6%	765	0.6%
2002	287,985	1.0%	19,472	0.5%	760	0.3%
2001	285,108	1.3%	19,373	0.7%	758	0.4%
2000	281,422	0.9%	19,238	0.6%	755	0.0%
1999	279,040	1.2%	19,131	0.8%	755	1.2%
1998	275,854	1.2%	18,988	0.7%	746	0.3%
1997	272,647	1.2%	18,850	0.8%	744	0.3%
1996	269,394	1.2%	18,706	0.8%	742	0.5%

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

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

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

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2004	\$9,702,525	6.0%	\$634,984	6.0%	\$23,602	6.2%
2003r	9,156,108	3.2%	\$598,971	3.9%	22,231	8.8%
2002r	8,872,521	1.8%	576,655	2.5%	20,429	0.0%
2001r	8,716,992	3.5%	562,733	3.1%	20,429	5.1%
2000	8,422,074	8.0%	545,882	6.7%	19,438	5.8%
1999	7,796,137	5.1%	511,507	3.9%	18,367	4.8%
1998	7,415,709	7.4%	492,324	6.9%	17,523	7.3%
1997	6,907,332	6.1%	460,385	5.3%	16,335	2.4%
1996	6,512,485	6.0%	437,288	7.5%	15,948	10.8%
1995	6,144,741	5.3%	406,860	4.5%	14,390	1.5%

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

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

SOURCE: U.S. Department of Commerce, September 2005. Compiled by, USD Business Research Bureau, South Dakota State Data Center.

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
*2005	3.9%	5.1%
2004	3.3%	5.5%
2003	3.6%	6.0%
2002	3.1%	5.8%
2001	3.4%	4.7%
2000	2.3%	4.0%
1999	2.9%	4.2%
1998	2.9%	4.5%
1997	3.1%	4.9%
1996	3.2%	5.4%

* Preliminary.

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

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

	2005*	2004r	2003r	2002	2001	2000	1999	1998	1997	1996
Natural Resources/Mining	0.8	0.8	0.9	1.0	1.2	1.3	1.3	1.7	2.1	2.2
Construction	20.9	19.8	19.3	18.6	18.5	18.0	17.1	16.1	15.2	14.6
Manufacturing	39.9	38.9	37.7	38.4	41.0	43.8	44.2	44.0	44.2	43.6
Transportation/Warehousing/ Utilities	11.7	11.4	11.5	11.8	12.1	12.0	11.9	11.8	11.8	11.9
Wholesale/Retail Trade	66.9	65.6	64.9	64.8	65.0	64.8	64.0	63.1	62.3	61.8
<i>Wholesale Trade</i>	17.4	17.0	16.7	16.7	16.7	16.5	16.5	16.4	16.1	15.9
<i>Retail Trade</i>	49.5	48.6	48.2	48.1	48.3	48.3	47.5	46.7	46.2	45.9
Information	6.7	6.8	6.8	6.8	6.8	6.9	6.7	6.7	6.4	6.2
Financial Activities	28.7	27.9	27.7	27.9	28.0	26.2	25.1	23.2	21.7	20.3
Professional/Business Svcs.	23.7	23.8	24.0	24.7	25.7	27.1	25.2	22.9	21.6	19.7
Educational/Health Services	57.4	56.5	55.7	54.2	52.8	52.2	51.4	49.8	48.1	47.1
Leisure and Hospitality	41.7	40.9	39.7	39.4	38.6	38.5	37.7	37.0	36.3	36.0
Other Services (Except Public Administration)	16.2	16.2	15.7	15.9	15.8	16.5	16.9	15.9	14.7	15.0
Government	75.2	74.6	74.3	74.0	73.1	70.3	71.9	71.0	70.5	70.4
TOTAL	389.8	383.2	378.2	377.3	378.4	377.7	373.3	363.2	354.9	348.7
% Change in Nonfarm Employment	1.7%	1.3%	0.2%	-0.3%	0.2%	1.2%	2.8%	2.3%	1.8%	1.5%

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

¹Based on NAICS.

* Preliminary Data, r = Revised

SOURCE: Labor Market Information Center in cooperation with the U.S. Bureau of Labor Statistics. Compiled by, USD Business Research Bureau, South Dakota 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
2005	344	\$221.0	16	\$54.1	360	\$275.1
2004	476	169.5	20	72.3	496	241.8
2003	496	191.5	21	206.0	517	397.5
2002	466	156.5	6	9.4	472	165.9
2001	544	141.6	13	96.5	557	238.1
2000	438	249.1	16	10.6	454	259.7
1999	478	261.9	14	23.4	492	285.3
1998	555	208.6	19	21.9	574	230.5
1997	466	236.1	22	7.5	488	243.6
1996	322	210.7	28	24.1	350	234.8

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

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

GROSS SALES BY INDUSTRY

(Sales Expressed in Millions of Dollars)

	2005		2004		2003		2002		2001	
	Sales	% of Total Sales								
Agriculture, Forestry and Fishing	\$ 369.6	0.9%	\$ 277.4	0.7%	\$ 225.4	0.6%	\$ 196.5	0.6%	\$ 187.0	0.5%
Mining	107.6	0.2%	138.8	0.4%	86.7	0.2%	69.7	0.2%	102.0	0.3%
Construction	32.1	0.1%	27.2	0.1%	28.3	0.1%	46.2	0.1%	42.8	0.1%
Manufacturing	5,580.4	12.9%	4,848.2	12.2%	5,288.5	14.6%	4,143.2	12.2%	4,318.9	12.2%
Transportation, Communication, and Utilities	2,551.3	5.9%	3,029.3	7.6%	2,437.2	6.7%	2,203.3	6.5%	2,763.0	7.8%
Wholesale Trade	9,695.2	22.4%	9,574.0	24.1%	9,054.7	24.9%	8,837.4	25.9%	9,756.1	27.6%
Retail Trade	18,353.8	42.4%	16,004.7	40.3%	14,323.0	39.4%	14,032.1	41.2%	13,873.5	39.2%
Finance, Insurance, and Real Estate	334.2	0.8%	358.5	0.9%	320.8	0.9%	271.0	0.8%	198.3	0.6%
Services	6,218.9	14.4%	5,453.5	13.7%	4,588.8	12.6%	4,274.8	12.5%	4,151.8	11.7%
Not coded/Other, Including Public Administration	3.5	0.0%	3.9	0.0%	3.4	0.0%	3.8	0.0%	2.7	0.0%
STATE TOTAL	\$43,246.7	100.0%	\$39,715.5	100.0%	\$36,356.9	100.0%	\$34,078.1	100.0%	\$35,396.1	100.0%
% Change From Prior Year	8.9%		9.2%		6.7%		-3.7%		-3.4%	

NOTE: Totals may not add due to rounding.

SOURCE: South Dakota Sales and Use Tax Reporting System.

GROSS STATE PRODUCT PERCENT CHANGE

	2003- 2004	2002- 2003	2001- 2002	2000- 2001	1999- 2000	1998- 1999	1997- 1998	1996- 1997	1995- 1996	1994- 1995
U.S.	4.3%	2.8%	1.8%	0.9%	3.7%	4.4%	4.5%	N/A	4.1%	3.3%
South Dakota	4.5%	3.7%	4.9%	1.4%	5.9%	4.0%	4.7%	N/A	4.3%	2.6%
Iowa	5.5%	2.5%	3.2%	-0.6%	3.2%	1.7%	1.0%	N/A	5.3%	2.6%
Minnesota	3.9%	3.6%	2.7%	0.6%	4.9%	2.6%	5.6%	N/A	6.3%	2.8%
Montana	4.3%	3.9%	3.6%	2.2%	2.2%	1.6%	2.4%	N/A	1.7%	0.3%
Nebraska	1.5%	5.3%	2.6%	0.8%	2.1%	1.4%	2.0%	N/A	5.7%	1.8%
North Dakota	2.1%	4.6%	4.6%	0.7%	2.8%	-2.7%	6.1%	N/A	7.3%	1.5%
Wyoming	3.3%	2.1%	6.1%	5.7%	1.5%	5.6%	1.6%	N/A	2.9%	2.6%

NOTE: The GSP estimates are consistent with the estimate of gross product by industry for the nation (Millions of Real GSP chained 2000 dollars) *Data from 1994 – 1996 are based on SIC; 1997 to present are based on NAICS. We are unable to compare 1996 to 1997. There was a comprehensive revision of GSP data including years back to 1977.

SOURCE: U.S. Bureau of Economic Analysis data released October 2005 (earlier data has been revised).
Compiled by, USD Business Research Bureau, South Dakota State Data Center.

GROSS STATE PRODUCT 1997 - 2004 (Average Annual Percent Change)

	TOTAL	GOODS PRODUCING INDUSTRIES ¹	PRIVATE SERVICE-TYPE INDUSTRIES ²	GOVERNMENT
U.S.	3.2%	2.3%	3.8%	1.5%
South Dakota	4.1%	5.1%	4.4%	0.8%
Iowa	2.4%	1.4%	3.3%	1.0%
Minnesota	3.4%	3.0%	3.9%	1.1%
Montana	2.9%	1.1%	3.8%	1.5%
Nebraska	2.2%	2.0%	2.7%	1.2%
North Dakota	2.6%	2.1%	3.1%	1.2%
Wyoming	3.7%	3.6%	4.2%	2.3%

NOTE: The GSP estimates are consistent with the estimates of gross product by industry for the nation (Millions of Real GSP chained 2000 dollars). Data based on NAICS. There was a comprehensive revision of GSP data including years back to 1977.

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

²Private service-type industries consist of utilities, wholesale trade, retail trade, transportation and warehousing, excluding postal service, information, finance and insurance, real estate, rental, and leasing, professional and technical services, management of companies and enterprises, administrative and waste services, educational services, health care and social assistance, arts, entertainment, and recreation, accommodation and food services, and other services, except government.

SOURCE: U.S. Bureau of Economic Analysis data released December 2004 (earlier data has been revised)
Compiled by USD Business Research Bureau, South Dakota State Data Center.

BANKING

YEAR	BANK DEPOSITS (MILLIONS)	PER CAPITA BANK DEPOSITS
2004	\$294,369*	\$381,860
2003	14,660	19,166
2002	14,293	18,795
2001	14,536	19,171
2000	13,485	17,865
1999	12,043	16,049
1998	11,660	15,629
1997	11,787	15,838
1996	13,207	17,794
1995	11,866	16,080

NOTE: Bank deposits are for all commercial banks, insured or otherwise. 1995-1999 per capita bank deposits are calculated by dividing total bank deposits by population estimates released April 2002; per capita bank deposits for 2000 are calculated using the 2000 census. 2001, 2002, 2003 and 2004 per capita bank deposits are calculated using population estimates released December 2004.

* The significant increase in total bank deposits is due to Wells Fargo moving from San Francisco, CA to Sioux Falls, SD in February, 2004.

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

FARM STATISTICS

CALENDAR YEAR	NUMBER OF FARMS	VALUE PER OPERATING UNIT	AVERAGE LAND VALUE PER ACRE	FARM NET INCOME (THOUSANDS)	AVERAGE INCOME PER FARM
2004	31,600	\$693,000	\$500	\$2,012,435	\$63,685
2003	31,600	637,560	460	1,621,192r	51,304r
2002	31,800	592,110	430	438,583r	13,792r
2001	32,000	555,660r	405	1,226,130r	38,317r
2000	32,400	516,040	380	1,387,208r	42,815r
1999	32,500	487,440	360	1,318,540r	40,570r
1998	32,500	471,192	348	1,289,583r	39,679r
1997	32,500	440,050	325	1,159,238r	35,669r
1996	32,500	419,740	310	1,672,852r	51,472r
*1995	33,000	402,566	302	784,128r	23,761r

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

r=Revised.

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

SOURCE: SD Agricultural Statistics Service and Economic Research Service release of August, 2005.
Compiled by USD Business Research Bureau, South Dakota State Data Center.

GROSS CASH RECEIPTS FROM FARM MARKETING AND GOVERNMENT PAYMENTS (MILLIONS)								
	2004	2003	2002	2001	2000	1999	1998	1997
CROPS	\$2,455	\$2,097r	\$1,738r	\$1,640	\$1,714	\$1,727	\$1,848	\$2,427
LIVESTOCK AND PRODUCTS	2,422	2,130r	2,046	2,226	2,016	1,818	1,533	1,781
GOVERNMENT PAYMENTS	399	549	335	715	790	791	437	268
TOTAL	\$5,276	\$4,776r	\$4,119r	\$4,581	\$4,520	\$4,336r	\$3,818	\$4,476

r=Revised

SOURCE: Economic Research Service, USDA release of August, 2005.
Compiled by USD Business Research Bureau, South Dakota State Data Center.

2004 RANKING FOR CROP AND LIVESTOCK PRODUCTION

CROP	VOLUME	NATIONAL RANK
Corn for Grain	539.5 M Bu.	6 th
Oats	13.9 M Bu.	2 nd
All Wheat	128.6 M Bu.	6 th
Winter Wheat	56.3 M Bu.	8 th
Durum Wheat	0.5 M Bu.	5 th
Other Spring Wheat	71.9 M Bu.	4 th
Barley	3.2 M Bu.	13 th
Rye	0.6 M Bu.	3 rd
Flax Seed	0.1 M Bu.	3 rd
Sorghum for Grain	6.3 M Bu.	7 th
Soybeans	140.1 M Bu.	8 th
Sunflower Seed	606.7 M Lb.	2 nd
All Hay	6.9 M Tons	5 th
Alfalfa Hay	4.7 M Tons	3 rd
All Other Hay	2.1 M Tons	11 th

LIVESTOCK	AMOUNT	NATIONAL RANK
Cattle and Calves (1/1/05)	3,750 T Head	6 th
Hogs and Pigs (12/1/04)	1,330 T Head	11 th
Sheep and Lambs (1/1/05)	375 T Head	4 th

SOURCE: SD Agricultural Statistics Service, USDA, "South Dakota's Rank in U.S. Agriculture, 2004"
Compiled by USD Business Research Bureau, South Dakota State Data Center.

2004 GENERAL CENSUS INFORMATION

AGE GROUPS	% OF TOTAL	
0- 4	51,720	6.7%
5-14	104,154	13.5%
15-17	35,000	4.5%
18-24	86,646	11.2%
25-34	92,803	12.0%
35-44	105,833	13.7%
45-64	185,234	24.0%
65- >	109,493	14.2%
18- >	580,009	75.2%

NOTE: *Percents may not total to 100 due to rounding.

RACIAL DISTRIBUTION	% OF TOTAL	
WHITE	683,768	88.7%
AMERICAN INDIAN	66,535	8.6%
OTHER	20,580	2.7%
TOTAL	770,883	100.0%

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

POPULATION DISTRIBUTION	% OF TOTAL	
CITIES (25,000 +)	198,154	25.7%
CITIES (2,500 - 25,000)	188,237	24.4%
REMAINING CITIES (<2,500)	129,920	16.9%
REMAINING AREAS	254,572	33.0%
TOTAL	770,883	100.0%

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

LARGEST CITIES			
SIOUX FALLS	136,695	VERMILLION	9,975
RAPID CITY	61,459	SPEARFISH	9,205
ABERDEEN	24,196	BRANDON	6,813
WATERTOWN	20,207	STURGIS	6,379
BROOKINGS	18,705	MADISON.....	6,163
MITCHELL	14,887	BELLE FOURCHE	4,653
PIERRE.....	13,983	HOT SPRINGS.....	4,101
YANKTON.....	13,491	MILBANK.....	3,464
HURON.....	11,198	MOBRIDGE.....	3,284

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

HISTORICAL CENSUS COUNTS FOR SOUTH DAKOTA

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

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

MAJOR EMPLOYERS IN SOUTH DAKOTA

BUSINESS	EMPLOYEES
Sioux Valley Hospital (Sioux Falls)	5,380
Wal-Mart (Statewide)	4,200
Avera Mc Kennan Hospital (Sioux Falls)	3,450
John Morrell and Company (Sioux Falls)	3,300
Citibank South Dakota NA (Sioux Falls)	3,200
Rapid City Regional Hospital (Rapid City)	3,000
PREMIER Bankcard (Statewide)	2,460
Wells Fargo (Sioux Falls)	2,310
Hy Vee (Sioux Falls)	1,690
Midwest Coast Transport (Sioux Falls)	1,290

NOTE: Excludes federal, state, and local governments.

SOURCES: Governor's Office of Economic Development, December 2005; Development Corporations and individual companies. Compiled by USD Business Research Bureau, South Dakota State Data Center.

PUBLIC SCHOOL STATISTICS

SCHOOL YEAR ENDED	SCHOOLS	K-12 FALL ENROLLMENT	* TEACHERS*	PUPIL / TEACHER RATIO
2005	710	121,327	8,999	13.5
2004	721	123,058	8,999	13.7
2003	732	124,988	9,015	13.9
2002	744	125,612	9,090	13.8
2001	753	126,990	9,149	13.9
2000	749	129,093	9,230	14.0
1999	757	131,117	9,048	14.5
1998	767	132,780	8,827	14.9
1997	766	133,949	** 9,255	14.5
1996	774	134,972	8,984	15.0

* Total Classroom FTE (K-12) 1993 through present, except 1997, which is headcount (**).
 ** Headcount.

SOURCE: Education in South Dakota: District and Statewide Profiles 2004-2005.
 Compiled by USD Business Research Bureau, South Dakota State Data Center.

<i>EXPENDITURES ON EDUCATION PER PUPIL IN DAILY ATTENDANCE</i>				<i>PERCENT REVENUE FROM STATE GOVERNMENT</i>		
<i>SCHOOL YEAR</i>	<i>UNITED STATES</i>	<i>SOUTH DAKOTA</i>	<i>SOUTH DAKOTA RANK</i>	<i>UNITED STATES</i>	<i>SOUTH DAKOTA</i>	<i>SOUTH DAKOTA RANK</i>
2005E	\$9,102	\$7,963	37	48.6	34.4	47
2004r	8,807	7,611	37	48.0	33.7	47
2003r	8,630	7,174	39	49.1	33.7	48
2002r	8,083	6,893	39	49.6	36.4	46
2001	7,827	6,586	40	50.4	35.3	48
2000	7,316	5,837	42	50.2	38.5	46
1999	6,734	5,281	46	49.7	35.5	47
1998	6,638	5,166	44	46.6	31.7	46
1997	6,394	4,990	45	46.1	31.2	46
1996	6,139	5,070	40	47.9	26.1	49

r= Revised, E=Estimate

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

ELEMENTARY AND SECONDARY EDUCATION

<i>YEAR</i>	<i>K-12 SCHOOL ADM (FISCAL YEAR)</i>	<i>COST PER PUPIL (ADM)</i>
2005	120,726	\$6,724
2004	122,362	6,415
2003	123,740	6,193
2002	124,589	5,943
2001	126,314	5,705
2000	128,114	5,277
1999	130,157	4,922
1998	132,024	4,621
1997	133,251	4,358
1996	134,052	4,240
<i>ADM = Average Daily Membership</i>		

NOTE: Includes only general, special education and pension funds.

SOURCE: *Education in South Dakota: A Statistical Profile*, DECA 2004-2005.
Compiled by USD Business Research Bureau, South Dakota State Data Center.

2004 CIVILIAN LABOR FORCE

	LABOR FORCE	EMPLOYED	UNEMPLOYED	UNEMPLOYMENT RATE	SD NON- INSTITU. POP.	PARTICIPATION RATE
Males	224,000	216,000	8,000	3.5%	287,000	78.0%
Females	207,000	200,000	8,000	3.8%	299,000	69.2%
TOTAL	431,000	416,000	16,000	3.7%	586,000	73.5%

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

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

STATE UNIVERSITIES HISTORICAL FALL HEADCOUNT ENROLLMENTS

YEAR	BHSU	DSU	NSU *	SDSMT	SDSU	USD	SYSTEM TOTALS	CHANGE FALL TO FALL
2005	3,888	2,329	2,528	2,313	11,021	8,641	30,720	2.9%
2004	3,846	2,295	2,284	2,345	10,954	8,120	29,844	0.4%
2003	3,873	2,295	2,616	2,454	10,561	7,917	29,716	0.6%
2002	3,694	2,263	2,474	2,447	9,952	8,703	29,533	3.8%
2001	3,836	2,019	2,656	2,424	9,350	8,161	28,446	4.8%
2000	4,068	1,801	2,889	2,308	8,719	7,349	27,134	2.0%
1999	3,747	2,003	3,164	2,275	8,540	6,887	26,616	0.2%
1998	3,639	1,831	2,873	2,265	8,635	7,317	26,560	3.3%
1997	3,445	1,409	2,623	2,260	8,818	7,164	25,719	-3.0%
1996	3,549	1,274	2,832	2,245	9,067	7,541	26,508	3.4%

NOTE: Above figures have been revised to reflect the new funding framework whereby revenues are 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.

* The NSU and system numbers have been revised to remove high school students enrolled in certain AP (Advanced Placement) courses taught with the assistance of NSU.

SOURCE: South Dakota Board of Regents.

POSTSECONDARY VOCATIONAL TECHNICAL INSTITUTES (Full and Part-Time)

INSTITUTE	FALL ENROLLMENT		
	2003	2004	2005
Lake Area Vocational Technical Institute	1,007	1,033	1,100
Mitchell Vocational Technical Institute	839	815	815
Southeast Vocational Technical Institute	2,300	2,373	2,320
Western Dakota Vocational Technical Institute	1,067	972	1,048
Mike Durfee State Prison*	58	85	64

* January – December data includes individuals enrolled in a program during the calendar year

SOURCE: UMACRAO Enrollment Statistics, released October 2005 and Mike Durfee State Prison. Compiled by USD Business Research Bureau, South Dakota State Data Center.



