

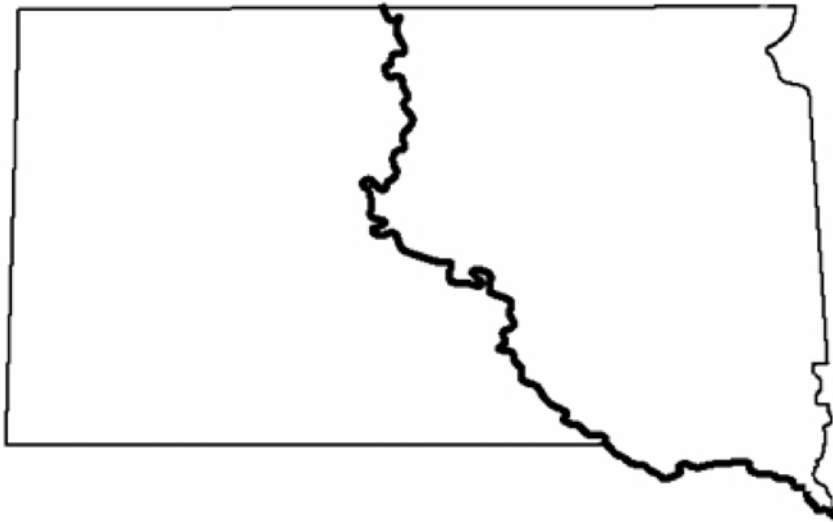
The background of the entire page is a photograph of Mount Rushmore National Memorial. The four large granite faces of the presidents—George Washington, John Adams, Thomas Jefferson, and Abraham Lincoln—are visible in the lower half of the image. Above them, the rugged, rocky peaks of the mountain rise into a clear blue sky. The surrounding area is covered in dense evergreen trees.

South Dakota

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2007

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

***COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED JUNE 30, 2007***



M. MICHAEL ROUNDS, GOVERNOR

DENNIS DAUGAARD, LT. GOVERNOR

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

ACKNOWLEDGEMENTS

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

150 Copies printed by the Bureau of Finance and Management at \$7.35 each at Central Duplicating Services.



STATE OF SOUTH DAKOTA

M. MICHAEL ROUNDS, GOVERNOR

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

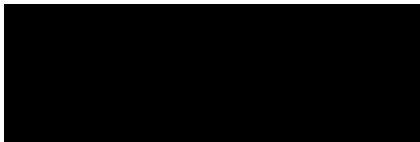
It is my pleasure to present the *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2007. This is our 21st *Comprehensive Annual Financial Report*. The report is prepared in accordance with generally accepted accounting principles and includes all agencies 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 continue to grow. Recent economic data supports the current economic expansion as employment continues to grow, wages continue to rise, consumers continue to spend, and the housing market is stable. The unemployment rate in South Dakota remains one of the lowest in the nation through FY2007. 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 environment.
- It is our responsibility to protect our society from those who would do us harm.
- The state has placed a focus on economic growth and visitor spending through the 2010 Initiative, a comprehensive plan with specific goals, objectives, and action steps.

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

Sincerely,



M. Michael Rounds/





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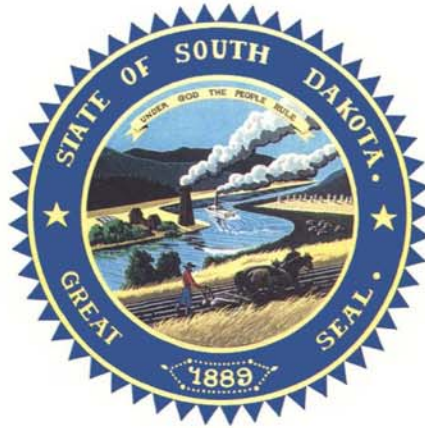
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INTRODUCTORY SECTION



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, 2007.

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 2007 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, and notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

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

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2007 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 general fund revenues are sales and service taxes, business taxes and lottery proceeds. The largest categories of general fund expenditures are general bill expenditures for state aid to primary and secondary education; property tax relief payments made by the State to local government units through state aid to education; the State's share of the cost of Medicaid, corrections and higher education; operation, maintenance and improvement of facilities for state government; and, state salaries.

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

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

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

Further information on the State's risk management activities can be found in 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 Cash Flow Portfolio, the South Dakota Retirement System, Cement Plant Retirement Fund, Common School Permanent Fund, Dakota Cement Trust Fund, Education Enhancement Trust Fund, and Health Care Trust Fund.

Total investment income for all funds invested by the Investment Council was \$1.63 billion for fiscal year 2007. Income for the most recent five years totaled \$4.5 billion and, since inception, has exceeded \$9.9 billion. The Investment Council has grown from \$133.0 million in assets at the end of its first year to \$10.05 billion at June 30, 2007.

Investment Council management of the Cash Flow Portfolio resulted in earnings this year of \$45 million, a yield of 4.41%. The Cash Flow Portfolio has earned taxpayers \$847.7 million over the past 35 years.

The South Dakota Retirement System's assets have returned 11.6% for the past 34 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top first percentile against other state pension funds.

Cash management and investments are discussed more fully in 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 31 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, 2007, \$1.57 billion has been generated to fund many public programs and projects. Lottery provided \$122.0 million income (before transfers) during fiscal year 2007.

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 15.7% in 1992 to 14.8% in 2007. The funding ratio increased from 93.6% in 1992 to 97.1% in 2007. 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 2007 were \$8.2 billion compared to plan assets in 1992 of \$1.8 billion.

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

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Employment growth is an important indicator of a state's economic health. In terms of nonfarm employment growth, the South Dakota economy has performed better than the national economy for the past several years. Nonfarm employment growth in South Dakota has averaged 2.0% since 2004 with growth rates of 1.7% in 2005, 2.2% in 2006 and 2.0% in 2007. U.S. nonfarm employment growth has averaged 1.6% since 2004, with growth rates of 1.7% in 2005, 1.8% in 2006, and 1.1% in 2007.

In fiscal year 2007 (July 2006 – June 2007), nonfarm employment in South Dakota grew 2.1% compared to the national growth rate of 1.4% over the same time period. This was the sixth straight fiscal year that the South Dakota job market performed better than the U.S. Sectors that experienced strong growth in fiscal year 2007 in South Dakota were financial activities (4.7%); manufacturing (3.7%); education and health services (2.2%); and leisure & hospitality (1.9%).

The unemployment rate in South Dakota continues to remain one of the lowest in the nation. In June of 2007, the State's unemployment rate was 2.9%, while the U.S. unemployment rate was 4.6% the same month.

Income growth is another important indicator of a state's economic health. In 2007, South Dakota ranked 8th in the nation in terms of its personal income growth and 12th in the nation in its per capita personal income growth. South Dakota's personal income grew 6.9% from 2006-2007 which was higher than the national growth rate of 6.2% and was the highest in the seven state Plains Region. The other Plains Region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced income growth rates of 6.6%, 6.4%, 6.5%, 5.6%, 6.5%, and 6.7%, respectively, over the same time period.

In addition to employment and income, one sector that has been a cornerstone for South Dakota's economy is agriculture. Although 2006 was a difficult year due to drought conditions covering much of the state, good production and high prices helped South Dakota's agriculture industry rebound in 2007. The value of all

principal crops grown in South Dakota in 2007 totaled \$5.29 billion, which was up 112% from the \$2.49 billion value of 2006 crops. This large increase is due to record corn and wheat production along with higher prices for most crops in 2007.

The outlook for South Dakota's economy is optimistic. Although some of the issues affecting the national economy are expected to soften growth in the short term, South Dakota's economy is expected to continue to expand. Recent data supports the continued expansion of South Dakota's economy. So far during fiscal year 2008 (July 2007 – January 2008), nonfarm employment has grown by 4,100 jobs (seasonally adjusted) or an increase of 1.0%. South Dakota continues to be a business friendly state with the lowest state per capita taxes in the United States. This coupled, with a strong farm economy, will help grow South Dakota's economy into the future.

MAJOR INITIATIVES

High Speed Research, Education, and Economic Development (REED) Network. This new high speed network will give South Dakota cutting edge research capabilities at the Sanford Underground Science and Engineering Laboratory and at our state universities in bioenergy, agriculture, earth science and biomedical research. These capabilities could also potentially be used in private sector medical, financial, and weather fields. The network being built will have plenty of capacity for state government, higher education, and the private sector should they choose to purchase capacity. Private sector researchers can benefit from many research services, as connectivity will be possible from the private sector to the university researchers and beyond. The Great Plains Education Foundation donated \$8.0 million to the project and the state has committed \$3.8 million in one-time funding along with an increase of \$0.9 million in ongoing funds.

Science and Lab Facilities Upgrade. Science facilities and laboratories on public university campuses must be upgraded to support South Dakota's research initiative and to provide contemporary space for teaching. House Bill 1085, approved by the 2008 Legislature, authorized up to \$74.5 million to be bonded through the South Dakota Building authority for 25 years to finance these improvements.

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

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

- Dakota Roots is recruiting individuals to South Dakota by connecting them to career opportunities with the state's leading businesses. Companies interested in relocating or expanding also can receive assistance.
- Live Dakota is retaining current South Dakotans by educating them about the rewarding career opportunities in-state and the ability to get on the career fast track.
- Grow Dakota is preparing students for the workforce and providing teachers and principals a vision for the 21st century high school.
- Dakota Seeds is creating new internship and assistantship opportunities in the fields of Science, Technology, Engineering and Mathematics.
- Build Dakota is developing solutions to immediate, intermediate and long-term workforce challenges facing industries statewide.

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.

Funding of 2010 Research programs began in fiscal year 2005 and has continued through fiscal year 2009 to help in accomplishing these goals.

2010 Research Centers. The 2004 Legislature appropriated \$3,715,861 in ongoing funding in response to the Governor's 2010 Research Initiative. Approximately \$2.7 million of the annual appropriation was designated to develop four highly focused, highly competitive research centers within the Regental system in collaboration with private sector partners. The Centers are focused on commercialization in addition to becoming self-sustaining through the acquisition of grant and other external funding. The additional funds were used to establish a Board of Regents System Research Office, a Department of Tourism and State Development Commercialization Office, and to provide a \$600,000 EPSCoR grant cost share. In fiscal year 2007, an additional \$500,000 was appropriated increasing the annually 2010 Research Center funding to \$3.2 million. The research centers that are being funded are:

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

These research centers will continue to be funded in the fiscal year 2008 and 2009 budgets. Furthermore, with the passage of Senate Bill 219 during the 2007 legislative session, the 2010 Research Center for Drought Tolerance Biotechnology at South Dakota State University joined the five other highly-specialized research centers already in operation. This center is a true partnership involving the many seed and crop related entities, crop research and promotion boards, and individual biotechnology companies. The \$2.9 million in one time funding provided by the Legislature was leveraged with more than \$6 million in private sector funding to construct a Seed Research Center building and provide \$600,000 annually to support research at the Center of Excellence for Drought Tolerance Biotechnology. The new drought tolerance biotechnology center will be located within the new Innovation Campus at SDSU. The center will focus on research that leads to emerging technologies in drought tolerance crops and could potentially accelerate the availability of drought resistant products to the market by one to three years. A primary focus of the center will be to identify genes associated with drought, temperature, disease resistance, and crop quality. All of these traits are important for South Dakota's growing biofuel and feedstock industries.

Total state investment in the 2010 Research Centers includes \$10.7 million in fiscal years 2005 through 2007. This \$10.7 million investment has resulted in \$46.7 million in total research activity with \$36 million in grants and contracts from external funding sources. The estimated overall economic impact of the research centers has been approximately \$67.2 million.

Sanford Underground Science and Engineering Laboratory (SUSEL/DUSEL). The National Science Foundation (NSF) announced in July 2005 the selection of the Homestake mine as one of two sites to receive \$500,000 for development of a conceptual design for the Deep Underground Science and Engineering Laboratory (DUSEL). During a 2005 special session, the Governor and Legislators agreed to fund an interim laboratory until the final decision was made by NSF. The development of this interim laboratory at the 4,850 foot level will make the Homestake site a more attractive candidate for eventual DUSEL funding. On June 30, 2006, Mr. T. Denny Sanford pledged a \$70 million gift to help develop the underground laboratory and a science education center. The NSF issued a solicitation in September 2006 for an enhanced 250-page Conceptual Design Report. The Homestake proposal was submitted on January 9, 2007, and was selected by NSF on July 10, 2007, as the recommended site for the DUSEL. As a result of the NSF selection, the University of California at Berkeley received an additional \$15 million to design a DUSEL with a campus 7,400 feet underground at Homestake. The South Dakota Science and Technology Authority, meanwhile, is continuing to work on the Sanford Underground Science and Engineering Laboratory at the 4,850 foot level. Surface work, including remodeling existing buildings, is under way. A mine re-entry plan was approved in 2007, and the first water was pumped out of the mine on March 14, 2008. The 4,850 foot level will be ready for science research this year.

SD Certified Beef Program. Agriculture is the State of South Dakota's number one industry. With the passage of Senate Bill 220 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.

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,



Jason C. Dinges, 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 Jarrod Johnson, Commissioner, School and Public Lands

PUBLIC UTILITIES COMMISSION

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

LEGISLATIVE BRANCH

The Honorable Thomas Deadrick
Speaker of the House

The Honorable Dave Knudson
Senate Majority Leader

The Honorable Scott Heidepriem
Senate Minority Leader

The Honorable Larry Rhoden
House Majority Leader

The Honorable Dale Hargens
House Minority Leader

JUDICIAL BRANCH

The Honorable David Gilbertson
Chief Justice

The Honorable Richard Sabers
Associate Justice

The Honorable John Konenkamp
Associate Justice

The Honorable Steven Zinter
Associate Justice

The Honorable Judith Meierhenry
Associate Justice

SOUTH DAKOTA

FY2007 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

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

HEALTH, HUMAN AND SOCIAL SERVICES

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

LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

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

AGRICULTURE AND NATURAL RESOURCES

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

TRANSPORTATION

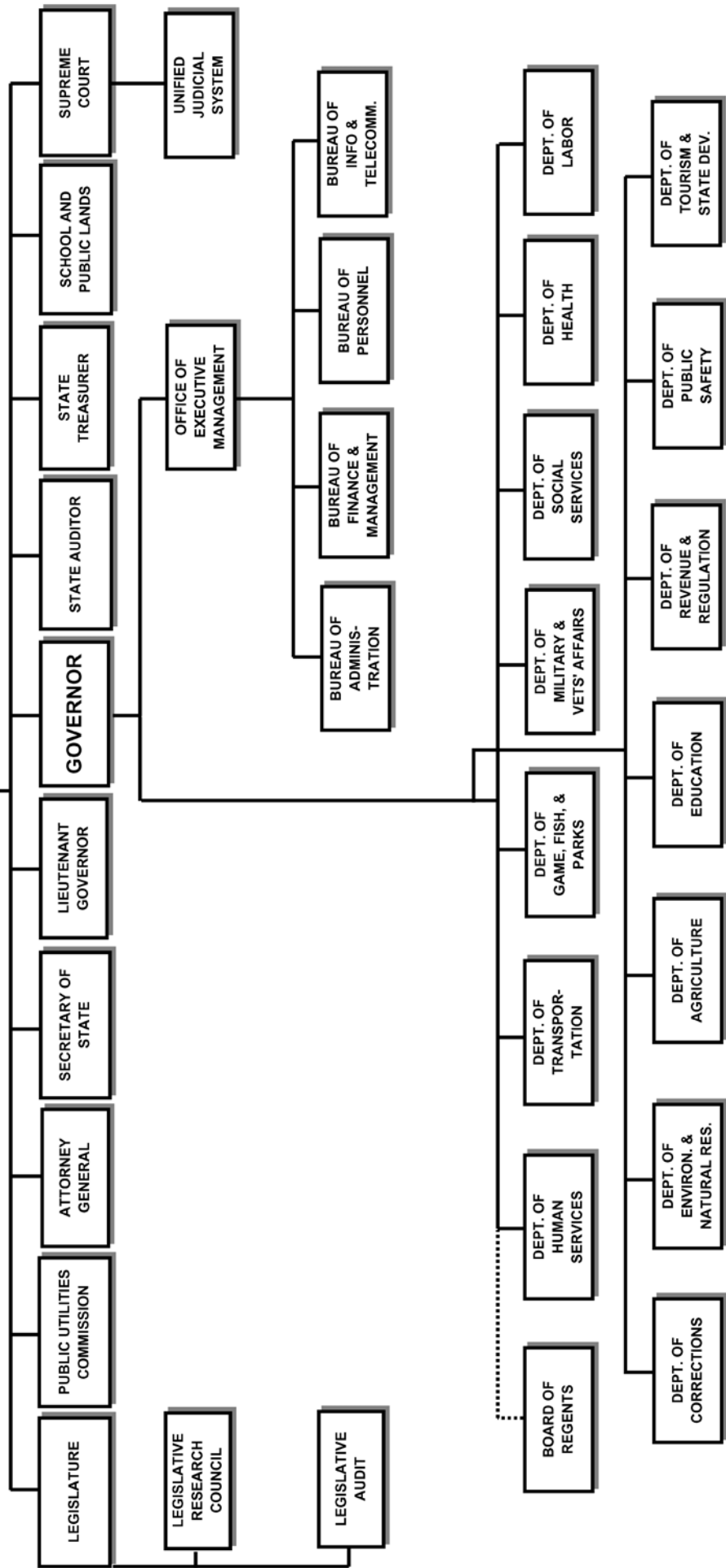
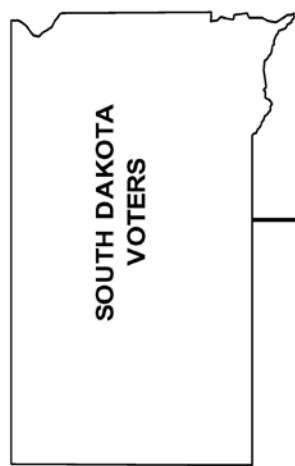
TRANSPORTATION

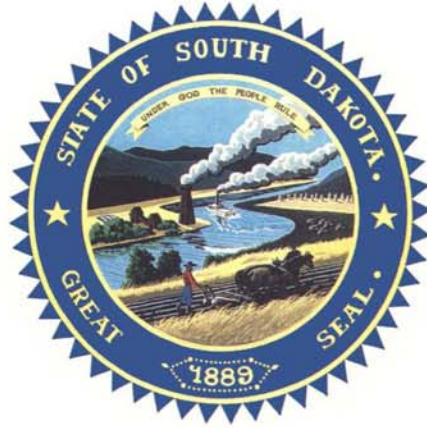
EDUCATION

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

ECONOMIC RESOURCES

TOURISM AND STATE DEVELOPMENT





FINANCIAL SECTION



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

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the year ended June 30, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Dakota Retirement System, which represents 86.6% of the assets and 45.9% of the revenues and additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon 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 auditors.

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

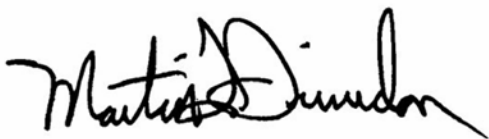
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the

aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2008 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 stylized with a large, looped initial "M" and a long, sweeping underline.

Martin L. Guindon, CPA
Auditor General

July 3, 2008

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, 2007. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- Total assets of the State exceeded its total liabilities at the close of the fiscal year by \$4.5 billion (reported as net assets), an increase of \$209.1 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 \$1.1 billion, an increase of \$91.3 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 \$1.5 billion, with \$0.6 billion reported as unreserved fund balance and the remaining amount of \$0.9 billion reserved for specific purposes (such as encumbrances, inventories, debt service, school perpetuity, noncurrent assets, and funds held as permanent investments). Certain resources within the \$0.6 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 \$142.8 million, of which \$43.2 million was designated only to be used to address emergency situations, without having to raise taxes or cut spending, which are commonly referred to by management as the budget reserve. The remaining balance is reported as unreserved undesignated fund balance (\$99.6 million). Although this amount is unreserved undesignated, it should be noted that \$44.7 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities and/or commitments.
- Proprietary funds reported net assets at year-end of \$418.7 million, an increase of \$18.8 million during the year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2007, totaled \$484.8 million, a decrease of \$17.9 million from the last fiscal year-end. The decrease represents the net difference between new issuances, payments and refundings of outstanding debt.
- During the year, South Dakota Building Authority issued \$31.8 million in Governmental Activities Revenue Bonds. The State incurred no new long-term general indebtedness under business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (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. The Lottery Fund is an example of business-type activity.
- **Discretely Presented Component Units.** Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading, or incomplete. The following entities are included in the component units columns of the State's government-wide financial statements:
 - ✓ Higher Education
 - ✓ Conservation Reserve Enhancement Program (CREP)
 - ✓ South Dakota Housing Development Authority
 - ✓ South Dakota Economic Development Finance Authority
 - ✓ Value Added Finance Authority
 - ✓ Science and Technology Authority

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

Fund Financial Statements

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

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

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 State reports several individual component units, of which the following three are considered major component units: South Dakota Housing Development Authority, Science and Technology Authority, and Higher Education.

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 major component unit and total of aggregated nonmajor component units on the statement of activities.

Major component units are presented separately in the component units statement of net assets and statement of revenues, expenses, and changes in fund net assets. Information from the remaining component units is provided in the form of combining statements elsewhere in this report.

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 and fund financial statements. The notes to the financial statements are located immediately following the 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, 2007. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2007, were \$5.5 billion, while total liabilities were \$1.0 billion, resulting in combined net assets (governmental and business-type activities) of \$4.5 billion.

State of South Dakota Net Assets (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 1,995,400	\$ 1,886,390	\$ 501,056	\$ 474,043	\$ 2,496,456	\$ 2,360,433
Capital Assets	<u>3,026,895</u>	<u>2,919,069</u>	<u>2,829</u>	<u>3,188</u>	<u>3,029,724</u>	<u>2,922,257</u>
Total Assets	<u>5,022,295</u>	<u>4,805,459</u>	<u>503,885</u>	<u>477,231</u>	<u>5,526,180</u>	<u>5,282,690</u>
Long-Term Liabilities Outstanding	454,362	466,294	100,862	103,304	555,224	569,598
Other Liabilities	<u>457,728</u>	<u>411,965</u>	<u>21,572</u>	<u>18,571</u>	<u>479,300</u>	<u>430,536</u>
Total Liabilities	<u>912,090</u>	<u>878,259</u>	<u>122,434</u>	<u>121,875</u>	<u>1,034,524</u>	<u>1,000,134</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,947,980	2,829,173	2,829	3,184	2,950,809	2,832,357
Restricted	1,091,917	1,012,357	284,322	262,293	1,376,239	1,274,650
Unrestricted	<u>70,308</u>	<u>85,670</u>	<u>94,300</u>	<u>89,879</u>	<u>164,608</u>	<u>175,549</u>
Total Net Assets	<u>\$ 4,110,205</u>	<u>\$ 3,927,200</u>	<u>\$ 381,451</u>	<u>\$ 355,356</u>	<u>\$ 4,491,656</u>	<u>\$ 4,282,556</u>

The largest component of the State's net assets, 65.7%, 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 30.6% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation on how they can be used. The majority of the restricted net assets are restricted for funds held as permanent investments, either as expendable (\$149.8 million) or nonexpendable (\$683.0 million). These include the following funds:

- **Dakota Cement Trust Fund.** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen." The fund balance in the Dakota Cement Trust Fund at June 30, 2007 was \$281.6 million, an increase of \$25.8 million from the previous year.

- **Health Care Trust Fund.** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature." The fund balance in the Health Care Trust Fund at June 30, 2007 was \$107.9 million, an increase of \$14.0 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, 2007 was \$412.3 million, an increase of \$41.5 million from the previous year.

The remaining balance, \$164.6 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; however limitations are imposed internally by the State. 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 whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2007 was \$43.2 million, an increase of \$0.2 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. Senate Bill 225, passed during the 1996 legislative session, provides that the Commissioner of Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature, (3) 33% share of revenue generated from the tobacco tax in excess of \$35 million; and (4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2007 was \$94.0 million, a decrease of \$5.1 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 2007.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Service	\$ 283,501	\$ 285,395	\$214,802	\$ 215,763	\$ 498,303	\$ 501,158
Operating Grants and Contributions	1,258,548	1,205,317	26,262	30,098	1,284,810	1,235,415
Capital Grants and Contributions	1,000	6,570			1,000	6,570
General Revenues:						
Sales Taxes	625,133	597,230			625,133	597,230
Motor Fuel Taxes	146,851	145,415			146,851	145,415
Contractors Excise Taxes	81,069	76,979			81,069	76,979
Bank Card and Franchise Taxes	76,497	65,187			76,497	65,187
Other Taxes	211,452	183,236			211,452	183,236
Unrestricted Investment Earnings	137,568	60,956			137,568	60,956
Gain on Sale of Capital Assets	1,305	42,344			1,305	42,344
Miscellaneous	39,667	35,493			39,667	35,493
Total Revenue	2,862,591	2,704,122	241,064	245,861	3,103,655	2,949,983
Program Expenses:						
General Government	194,266	175,826			194,266	175,826
Education – Elementary, Secondary and Vocational Schools	186,599	191,460			186,599	191,460
Education – State Support to Universities	160,725	149,040			160,725	149,040
Health, Human and Social Services	1,043,771	1,012,533			1,043,771	1,012,533
Law, Justice, Public Protection And Regulation	232,526	212,600			232,526	212,600
Agriculture and Natural Resources	123,135	109,904			123,135	109,904
Economic Resources	39,371	58,235			39,371	58,235
Transportation	362,680	316,125			362,680	316,125
Intergovernmental – Payments to School Districts	346,582	338,008			346,582	338,008
Intergovernmental – Revenue Sharing	101,669	99,171			101,669	99,171
Unallocated Interest Expense	23,191	23,998			23,191	23,998
Unallocated Depreciation	58	58			58	58
Lottery			31,404	32,409	31,404	32,409
Clean Water State Revolving			3,996	3,286	3,996	3,286
Drinking Water State Revolving			2,720	2,574	2,720	2,574
Other			56,247	60,613	56,247	60,613
Total Expenses	2,814,573	2,686,958	94,367	98,882	2,908,940	2,785,840
Excess (Deficiency) Before Transfers	48,018	17,164	146,697	146,979	194,715	164,143
Transfers	120,065	117,703	(120,065)	(117,703)		
Change in Net Assets	168,083	134,867	26,632	29,276	194,715	164,143
Net Assets – Beginning (As Restated)	3,942,122	3,792,333	354,819	326,080	4,296,941	4,118,413
Net Assets – Ending	\$4,110,205	\$3,927,200	\$381,451	\$355,356	\$4,491,656	\$4,282,556

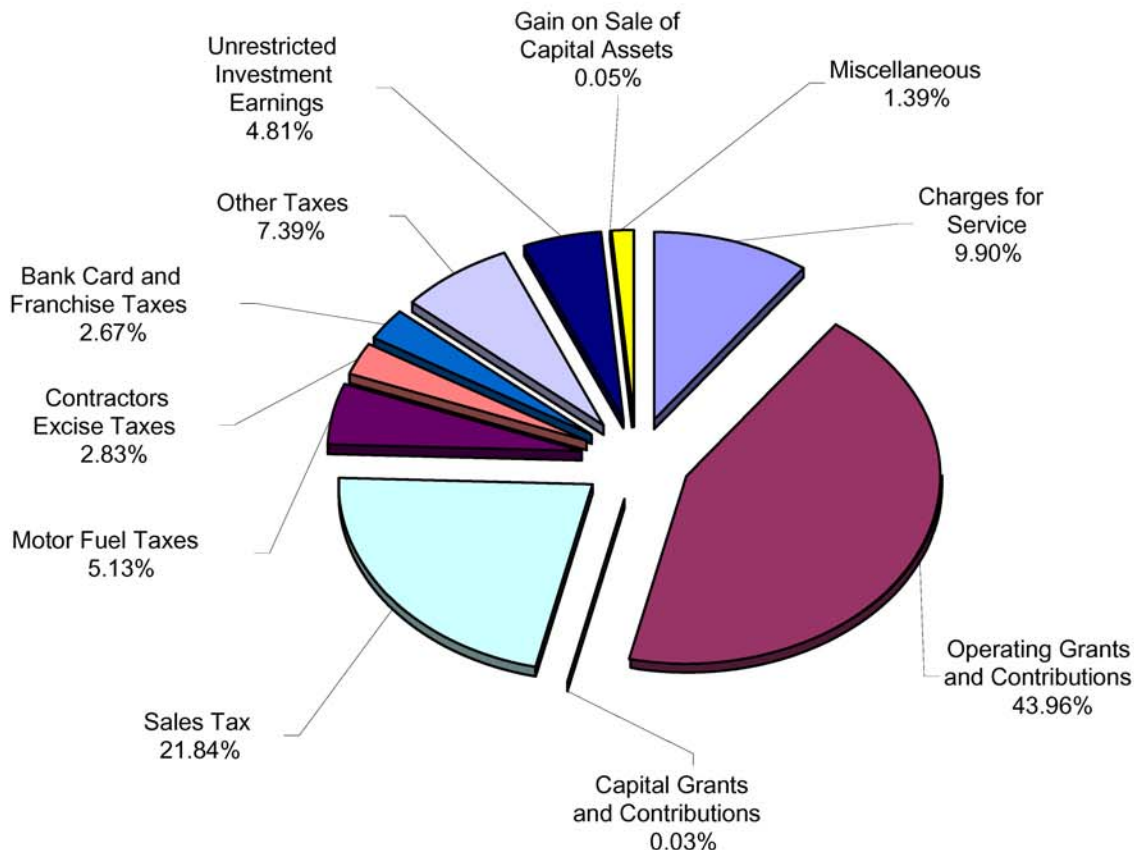
Governmental Activities:

Governmental activities increased the State's net assets by \$168.1 million from its current operations. This was the result of the net effect of the following: (1) \$2.9 billion revenues (an increase over the prior years' of \$158.5 million); minus (2) \$2.8 billion expenses (an increase over the prior years' of \$127.6 million); and, plus (3) net transfers of \$120.1 million primarily from "transfers in" from the South Dakota Lottery in the amount of \$121.0 million.

- The increase in revenues was primarily due to: (1) increased tax revenues (\$73.0 million) mostly due to a continued expansion of the economy; (2) increased unrestricted investment earnings (\$76.6); (3) increased operating/capital grants and contributions revenues (\$47.7) mostly due to more federally funded highway construction projects; and, (4) decreased gain on sale of capital assets (\$41.0 million) mostly as the result of selling a portion of the State owned railroad in the previous fiscal year.
- The increase in expenses was primarily in the Transportation function of Government; Health, Human and Social Services function of Government; Law, Justice, Public Protection and Regulation function of Government; and, General Government function of Government. The increase in the Transportation function of Government was primarily due to contract construction and maintenance activities from higher costs related to inflation. The increases in the remaining functions of Government were primarily the result of planned and budgeted costs designed to support the ongoing mission of state government.

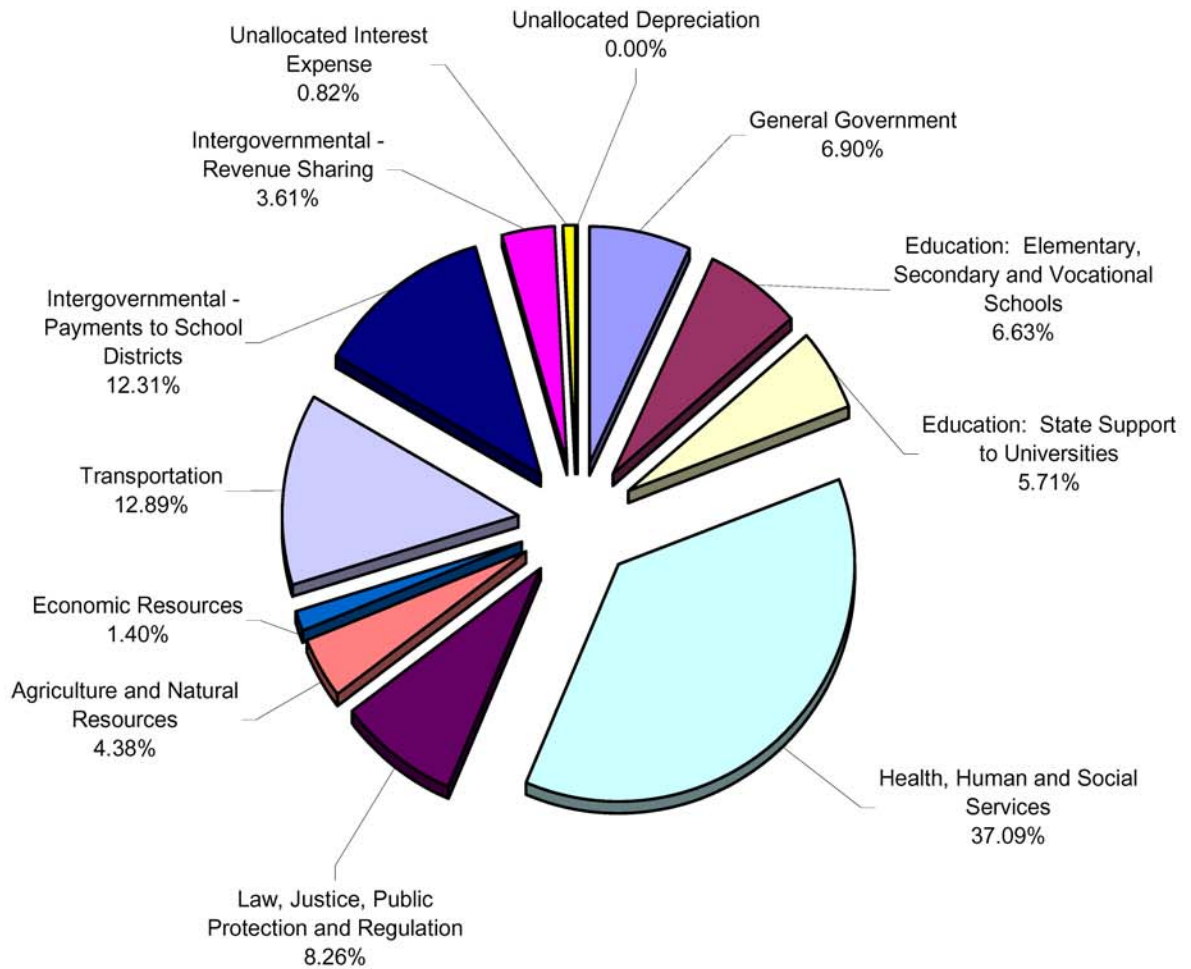
The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2007:

**State of South Dakota
Revenues - Governmental Activities
Fiscal Year Ended June 30, 2007**



**Total Revenues \$2,862,591
(Expressed in Thousands)**

**State of South Dakota
Expenses - Governmental Activities
Fiscal Year Ended June 30, 2007**



**Total Expenses \$2,814,573
(Expressed in Thousands)**

Business-type Activities:

Net assets of the business-type activities increased by \$26.6 million from its operations 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 \$20.1 million, primarily due to: (1) federal funding of loan programs, (2) investment earnings, and (3) interest on loans.

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 \$1.5 billion, an increase of \$70.5 million during the year.

Approximately 59.7%, or \$881.5 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed (1) to be held as permanent investments (\$653.0 million), (2) to pay debt service (\$85.6 million), (3) for noncurrent assets (\$48.9 million), (4) to liquidate contracts and purchase orders for the prior fiscal year (\$43.0 million), (5) to be held in a permanent trust fund with earnings distributed to the primary government and universities (\$31.0 million), or (6) for inventories (\$20.0 million).

Approximately 2.9%, or \$43.2 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 37.4%, or \$.6 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, a portion of this balance relates to statutory imposed limitations that could limit resource use, unless appropriated by legislative action as defined by State law. Examples of funds (and reported unreserved fund balances) where a portion of, or all of the fund balance is subject to statutory imposed limitations include, but may not be limited to: (1) Dakota Cement Trust Fund (\$43.6 million), (2) Health Care Trust Fund (\$22.3 million), (3) Education Enhancement Trust Fund (\$83.0 million), and (4) Property Tax Reduction Fund (\$94.0 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 2007:

- **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 \$142.8 million, of which \$43.2 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 \$175.4 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 13.1% of the total General Fund operating expenditures, while the total fund balance represents 16.1% of that same amount.

Overall, the fund balance of the State's General Fund increased by \$9.9 million during the current fiscal year. This is a 6.0% 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 (\$54.7 million), primarily due to increased tax revenues that resulted from a continued expansion of the economy.
 2. Increased expenditures (\$38.1 million), primarily due to increased costs of Health, Human, and Social Services function and increases in the Education—State Support to Universities.
 3. Decreased "transfers in" (\$16.3 million) primarily due to increased tax revenues which created a reduction of the amount required from the reserves to balance the budget.
- **Dakota Cement Trust.** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was \$281.6 million, an increase of \$25.8 million from the prior fiscal year. The increase resulted primarily from investment earnings in excess of operating expenses and net transfers.
 - **Education Enhancement Trust.** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was \$412.3 million, an increase of \$41.5 million from the prior fiscal year. The increase resulted primarily from investment earnings in excess of operating expenses and net transfers

Proprietary Funds

The State's proprietary funds are presented on the full accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant changes to net assets during fiscal year 2007:

- **Lottery Fund.** At the end of the current fiscal year, the Lottery Fund reported total net assets of \$5.8 million, an increase of \$1 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of \$122.0 million on total revenue of \$152.5 million, compared to the previous fiscal year's income (before transfers) of \$119.5 million on total revenue of \$151.5 million. The increase was the result of increased video lottery revenue and increased on-line ticket sales. During fiscal year 2007, the State Lottery distributed approximately \$110.3 million to the Property Tax Reduction Fund, \$5.7 million to the General Fund, \$4.8 million to the Capital Construction Fund, and \$.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 \$144.2 million, an increase of \$6.0 million in comparison with the prior fiscal year. The increase resulted primarily from (1) the receipt of \$2.5 million capitalization grant monies received from the federal government and (2) \$3.5 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 \$98.2 million, an increase of \$14.2 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of \$11.6 million capitalization grant monies received from the federal government and (2) \$2.6 million of revenue from investments, interest, and other sources in excess of operating expenses.

Budgetary Highlights - General Fund

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

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

The difference between the original and the final amended budget was relatively minor (\$19.9 million increase in appropriations) and is primarily due to the following areas:

- \$3.0 million appropriation to the Department of Tourism and State Development to provide funding for the 2010 Research Center of Excellence for Drought Tolerance Biotechnology.
- \$1.3 million appropriations to the Department of Military & Veteran Affairs for renovation's of the nursing care building on the South Dakota Veterans' Home campus and the National Guard armory in Brookings
- \$0.4 million appropriations to the Department of Education to be distributed to sparse school districts according to a specified formula.
- \$0.7 million appropriations to the Department of Agriculture for costs related to the suppression of wildfires.
- \$12.0 million appropriations to authorize the South Dakota Building Authority to provide for the construction, reconstruction, renovation, and modernization of state park facilities and infrastructure at Custer State Park near Custer for the Department of Game, Fish and Parks.
- \$1.5 million appropriations to the Department of Public Safety for costs related to disasters in the State of South Dakota.
- \$0.5 million appropriation to revise the FY2007 General Appropriations Act for South Dakota Opportunity Scholarships.

Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending (\$23.0 million below final budgeted estimates) resulted from the following:

- Agencies controlled spending in an effort to create budgetary savings to the General Fund of \$2.0 million.
- Maintenance and repair amounts of \$3.0 million statutorily authorized to be carried forward and spent in future years.

- Special appropriation amounts of \$18.0 million statutorily authorized to be carried forward and spent in future years, mostly pertaining (but not limited), to: provide funding for the 2010 Research Center of Excellence for Drought Tolerance Biotechnology (\$3.0 million); design and construction of National Guard Armories (\$1.8 million); construction of USDSU classrooms (\$7.7 million); for renovation of the nursing care building on the South Dakota Veterans' Home campus (\$1.1 million); the Veteran's Bonus program (\$1.6 million); and, the sales tax on food refund program (\$2.8 million).

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, 2007, is \$3.0 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 75,229	\$ 73,453	\$ 295	\$ 295	\$ 75,524	\$73,748
Land Improvements	17,853	17,499	924	924	18,777	18,423
Land Improvements - Roads	581,491	574,304	0	0	581,491	574,304
Buildings	328,946	306,320	4,008	4,008	332,954	310,328
Equipment	175,163	164,569	3,178	3,134	178,341	167,703
Vehicles	110,912	103,516	0	0	110,912	103,516
Infrastructure	2,964,367	2,832,093	0	0	2,964,367	2,832,093
Construction in Progress	223,449	253,240	0	0	223,449	253,240
Total Capital Assets	4,477,410	4,324,994	8,405	8,361	4,485,815	4,333,355
Accumulated Depreciation	(1,450,515)	(1,391,003)	(5,576)	(5,173)	(1,456,091)	(1,396,176)
Total Capital Assets, Net	\$3,026,895	\$2,933,991	\$ 2,829	\$ 3,188	\$3,029,724	\$2,937,179

The most significant capital asset the State reported in fiscal year 2007 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 \$2.6 billion (net of accumulated depreciation), which is 85.5% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2006 to 2007 by approximately 3.2%. 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 \$155.9 million and decreased (projects completed and capitalized) by \$176.3 million. Land and land improvements increased by \$2.1 million which consisted largely of land purchased by the Department of Game, Fish and Parks (\$2.1 million). Building and building improvements increased by \$22.6 million. This was largely due to the completion of building improvements by the Department of Military and Veterans Affairs (\$3 million), the completion of building improvements at the State Penitentiary's Jameson Unit D (\$9.8 million), the Mike Durfee State Prison Dietary Facility (\$1.7 million) and the Mike Durfee State Prison Barracks (\$2.3 million), the completion of building improvements at the Becker-Hansen Building Phase II & III (\$2.5 million), and the completion of building improvements by the Department of Transportation (\$3 million). Equipment assets increased by \$10.6 million. This was largely due to the purchase of new equipment and replacing of aged equipment by the Department of Transportation (\$5.4 million, net of disposals), purchase of

computer hardware and software for the Bureau of Information and Technology (\$1.9 million, net of disposals). Vehicles which include trucks, cars, pickups and other vehicles, increased by \$7.4 million largely due to replacing aged vehicles by the Department of Transportation (\$4 million, net of disposals), and the Bureau of Administration (\$2.5 million). Construction in progress, not including construction in progress for highways, bridges, and railroads, decreased by \$9.4 million. This was largely due to the completion of building improvement projects by the Department of Corrections (\$12.6 million decrease, net of projects completed and capitalized), and the completion of building and building improvement projects by the Department of Military and Veterans Affairs (\$3 million increase, 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. A combination of rating agencies have been utilized to rate the outstanding uninsured bonds of the South Dakota Building Authority. The uninsured ratings as of June 30, 2007, are A1 from Moody's, AA- from Fitch 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 \$31.8 million Governmental Activities Revenue Bonds for the year ending June 30, 2007.

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, 2007, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. During the year, EEFC incurred no new long-term general indebtedness.

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; development and implementation of plans under the Estuary Protection Program; and construction and maintenance of drinking water facilities respectively. At June 30, 2007, 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 CWSRF and DWSRF loan repayments. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements. During the current fiscal year, the South Dakota Conservancy District did not issue any bonds for either the CWSRF or the DWSRF program.

At June 30, 2007, primary government had total note and bonded debt outstanding as follows:

State of South Dakota Outstanding Loans and Bonded Debt (Expressed in Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenue Bonds:						
South Dakota Building Authority	\$ 76,649	\$ 84,020	\$	\$	\$ 76,649	\$ 84,020
Educational Enhancement Funding Corporation	247,602	252,956			247,602	252,956
South Dakota Conservancy District			99,798	102,322	99,798	102,322
Trust Certificates:						
South Dakota Building Authority	29,730	32,465			29,730	32,465
Capital Leases	30,992	30,925		4	30,992	30,929
Total	\$ 384,973	\$ 400,366	\$ 99,798	\$102,326	\$ 484,771	\$ 502,692

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 2.0%, or 7,650 additional jobs in fiscal year 2006, nonfarm employment in South Dakota continued to strengthen in fiscal year 2007. In fiscal year 2007, nonfarm employment in the State grew 2.1%, or 8,400 jobs. This growth was stronger than the national growth rate for the sixth fiscal year in a row. The unemployment rate in South Dakota continued to remain one of the lowest in the nation in fiscal year 2007. South Dakota's unemployment rate was 2.9% in June 2007, while the U.S. unemployment rate was 4.6% the same month. In 2007, South Dakota's income growth ranked eighth in the nation in terms of its personal income growth and ranked twelfth in the nation in terms of its per capita personal income growth.

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

REQUESTS FOR INFORMATION

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

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



BASIC FINANCIAL STATEMENTS

The “Basic Financial Statements” include the Government-Wide Financial Statements, the Governmental Fund Financial Statements, the Proprietary Fund Financial Statements, the Fiduciary Fund Financial Statements, the 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

Statement of Net Assets – Component Units

**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, 2007
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	\$ 611,361	\$ 111,162	\$ 722,523	\$ 447,352
Receivables (Net)	333,709	316,571	650,280	1,418,567
Due From Component Units	949	26	975	
Due From Primary Government			0	1,356
Internal Balances	5,588	(5,588)	0	
Investments	829,912	61,137	891,049	865,226
Inventory	22,014	1,643	23,657	9,030
Deferred Fiscal Charges and Other Assets	8,090	1,049	9,139	15,393
Restricted Assets:				
Cash and Cash Equivalents	1	21	22	1,811
Investments	23,421	1,322	24,743	79,096
Other		988	988	31,747
Securities Lending Collateral	160,355	12,725	173,080	32,126
Capital Assets:				
Land and Other Non-depreciable Assets	660,095	295	660,390	35,558
Infrastructure (net)	1,797,331		1,797,331	
Property, Plant and Equipment (net)	346,020	2,534	348,554	330,313
Construction in Progress	223,449		223,449	72,359
Total Assets	5,022,295	503,885	5,526,180	3,339,934
Liabilities				
Accounts Payable and Other Liabilities	241,010	4,909	245,919	49,175
Due To Primary Government			0	975
Due To Component Units	1,356		1,356	
Accrued Interest Payable	8,015	1,851	9,866	16,504
Deferred Revenue	46,992	2,087	49,079	1,484
Securities Lending Collateral Liability	160,355	12,725	173,080	32,126
Noncurrent Liabilities:				
Due Within One Year	46,454	4,832	51,286	269,141
Due In More Than One Year	407,908	96,030	503,938	1,879,732
Total Liabilities	912,090	122,434	1,034,524	2,249,137
Net Assets				
Invested In Capital Assets, Net of Related Debt	2,947,980	2,829	2,950,809	290,914
Restricted For:				
Highways	41,193		41,193	
Agriculture and Natural Resources	76,655	1,302	77,957	
Health and Public Assistance	6,565	3,429	9,994	
Economic Development	17,143		17,143	
Debt Service	75,003	1,344	76,347	361,608
Capital Projects	7,082		7,082	
Unemployment Compensation		21,352	21,352	
Environmental Projects		241,119	241,119	
Energy Conservation Programs	9,867		9,867	
Revolving Loan Programs		8,348	8,348	
Higher Education - Expendable			0	125,416
Higher Education - Nonexpendable			0	218,677
Funds held as Permanent Investments				
Expendable	149,842		149,842	
Nonexpendable	682,970		682,970	
Other Purposes	25,597	7,428	33,025	13,459
Unrestricted	70,308	94,300	164,608	80,723
Net Assets	\$ 4,110,205	\$ 381,451	\$ 4,491,656	\$ 1,090,797

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, 2007
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 194,266	\$ 142,225	\$ 17,084	\$
Education - Elementary, Secondary and Vocational Schools	186,599	4,137	146,641	
Education - State Support to Universities	160,725			
Health, Human and Social Services	1,043,771	25,506	675,327	
Law, Justice, Public Protection and Regulation	232,526	49,435	56,708	243
Agriculture and Natural Resources	123,135	54,403	38,686	
Economic Resources	39,371	1,788	11,631	
Transportation	362,680	6,007	312,471	757
Intergovernmental - Payments to School Districts	346,582			
Intergovernmental - Revenue Sharing	101,669			
Unallocated Interest Expense	23,191			
Unallocated Depreciation	58			
Total Governmental Activities	2,814,573	283,501	1,258,548	1,000
Business-type Activities:				
Lottery	31,404	152,697	733	
Clean Water State Revolving	3,996	4,479	5,577	
Drinking Water State Revolving	2,720	3,460	13,390	
Revolving Economic Development and Initiative	1,604	1,338	2,661	
Unemployment Insurance	23,974	24,560	1,118	
Second Injury	4,361	5,369	79	
State Fair	2,270	1,410	21	
Federal Surplus Property	3,641	3,483	20	
Rural Rehabilitation	788	288	362	
Prison Industries	2,876	3,280	121	
Health Insurance Risk Pool	6,507	4,655	1,492	
Professional and Licensing	5,551	5,864	490	
Banking and Insurance	2,031	1,758	82	
Other	2,644	2,161	116	
Total Business-type Activities	94,367	214,802	26,262	0
Total Primary Government	\$ 2,908,940	\$ 498,303	\$ 1,284,810	\$ 1,000
Component Units:				
Higher Education	\$ 506,459	\$ 277,163	\$ 117,663	\$ 3,081
Housing Authority	120,249	148,286		
Science and Technology Authority	1,523	1	854	
Nonmajor	1,292	1,307	2	
Total Component Units	\$ 629,523	\$ 426,757	\$ 118,519	\$ 3,081

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
\$ (34,957)	\$	\$ (34,957)	
(35,821)		(35,821)	
(160,725)		(160,725)	
(342,938)		(342,938)	
(126,140)		(126,140)	
(30,046)		(30,046)	
(25,952)		(25,952)	
(43,445)		(43,445)	
(346,582)		(346,582)	
(101,669)		(101,669)	
(23,191)		(23,191)	
(58)		(58)	
(1,271,524)	0	(1,271,524)	
	122,026	122,026	
	6,060	6,060	
	14,130	14,130	
	2,395	2,395	
	1,704	1,704	
	1,087	1,087	
	(839)	(839)	
	(138)	(138)	
	(138)	(138)	
	525	525	
	(360)	(360)	
	803	803	
	(191)	(191)	
	(367)	(367)	
0	146,697	146,697	
(1,271,524)	146,697	(1,124,827)	
			\$ (108,552)
			28,037
			(668)
			17
			(81,166)
625,133		625,133	
146,851		146,851	
81,069		81,069	
76,497		76,497	
211,452		211,452	
137,568		137,568	8,914
			160,725
1,305		1,305	
39,667		39,667	
			10,500
120,065	(120,065)		
1,439,607	(120,065)	1,319,542	180,139
168,083	26,632	194,715	98,973
3,942,122	354,819	4,296,941	991,824
\$ 4,110,205	\$ 381,451	\$ 4,491,656	\$ 1,090,797

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Assets					
Cash and Cash Equivalents	\$ 98,085	\$ 35,547	\$	\$ 20,214	\$ 41,314
Investments				259,908	378,891
Securities Lending Collateral	30,779	6,154		48,651	
Receivables From:					
Taxes (net)	97,800	11,550			
Interest and Dividends	4,072	298	3	1,462	2,289
Other Funds	49,881	1,083	34		
Component Units					
Other Governments	932	34,404	39,968		
Loans and Notes (net)		284			
Other (net)	2,175	250	2,183		4,600
Inventory	2,354	12,816			
Deferred Fiscal Charges and Other Assets	678		33		
Total Assets	\$ 286,756	\$ 102,386	\$ 42,221	\$ 330,235	\$ 427,094
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 36,533	\$ 40,605	\$ 30,713	\$	\$
Payable To:					
Other Funds	3,784	1,301	9,457		14,767
Component Units	13		101		
Other Governments	38,300	2,568	118		
Claims, Judgments and Compensated Absences	110	93	26		
Deferred Revenue	1,847	1,357	1,765		
Securities Lending Collateral Liability	30,779	6,154		48,651	
Total Liabilities	111,366	52,078	42,180	48,651	14,767
Fund Balances:					
Reserved For:					
Encumbrances	18,227	2,926	4,548		
Inventories	2,354	12,816			
Debt Service					
School Perpetuity					
Noncurrent Assets	12,000	97			
Funds held as Permanent Investments				238,000	329,330
Unreserved Designated for Budget Reserve	43,247				
Unreserved Undesignated, Reported In:					
General Fund	99,562				
Special Revenue Funds		34,469	(4,507)	43,584	82,997
Capital Project Funds					
Total Fund Balances	175,390	50,308	41	281,584	412,327
Total Liabilities and Fund Balances	\$ 286,756	\$ 102,386	\$ 42,221	\$ 330,235	\$ 427,094

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

<u>Nonmajor</u>	<u>Total</u>
\$ 360,359	\$ 555,519
214,534	853,333
65,135	150,719
5,504	114,854
3,288	11,412
12,608	63,606
158	158
64,489	139,793
37,851	38,135
18,955	28,163
4,849	20,019
693	1,404
<u>\$ 788,423</u>	<u>\$ 1,977,115</u>

\$ 34,725	\$ 142,576
34,522	63,831
1,175	1,289
43,768	84,754
97	326
51,133	56,102
65,135	150,719
<u>230,555</u>	<u>499,597</u>

17,357	43,058
4,849	20,019
85,578	85,578
30,952	30,952
36,808	48,905
85,631	652,961
	43,247
	99,562
289,609	446,152
7,084	7,084
<u>557,868</u>	<u>1,477,518</u>
<u>\$ 788,423</u>	<u>\$ 1,977,115</u>



STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007
(Expressed in Thousands)

Total Fund Balances - Governmental Funds \$ 1,477,518

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	883,117	
Infrastructure	2,964,366	
Other Capital Assets	552,039	
Accumulated Depreciation	<u>(1,396,750)</u>	
Total Capital Assets		3,002,772

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

16,978

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.

37,214

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	(349,154)	
Accrued Interest on Bonds	(8,015)	
Capital Leases	(22,445)	
Compensated Absences	(43,384)	
Unclaimed Property	(1,025)	
Workers Compensation	<u>(254)</u>	
Total Long-Term Liabilities		<u>(424,277)</u>

Net Assets of Governmental Activities

\$ 4,110,205

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, 2007
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Revenue:					
Taxes	\$ 867,096	\$ 176,788	\$	\$	\$
Licenses, Permits and Fees	5,870	3,546			
Fines, Forfeits and Penalties	593				
Use of Money and Property	25,073	2,361	16	41,746	53,259
Sales and Services	5,951	1,295			
Administering Programs	51	307,005	496,663		
Tobacco Settlement					
Other Revenue	13,353	504	2,944		
Total Revenue	<u>917,987</u>	<u>491,499</u>	<u>499,623</u>	<u>41,746</u>	<u>53,259</u>
Expenditures:					
Current:					
General Government	28,237			3,396	831
Education	33,454				
Education - Payments to School Districts	347,992				
Education - State Support to Universities	160,725				
Health, Human and Social Services	343,474		499,636		
Law, Justice, Public Protection and Regulation	119,845	17,436			
Agriculture and Natural Resources	15,323				
Economic Resources	10,344				
Transportation		486,319			
State Shared Revenue Paid to Other Governments	32,703				
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>1,092,097</u>	<u>503,755</u>	<u>499,636</u>	<u>3,396</u>	<u>831</u>
Excess of Revenues Over (Under) Expenditures	(174,110)	(12,256)	(13)	38,350	52,428
Other Financing Sources (Uses):					
Bonds Issued					
Proceeds of Refunding Bonds					
Payments on Advance Refundings					
Premiums on Bond Issuance					
Premiums on Refunding Bonds					
Proceeds from Sale of Capital Assets	123	1,731	1		
Transfers In	206,721	3,422			3,846
Transfers Out	(22,842)	(5,008)		(12,571)	(14,767)
Net Other Financing Sources (Uses)	<u>184,002</u>	<u>145</u>	<u>1</u>	<u>(12,571)</u>	<u>(10,921)</u>
Net Change in Fund Balances	9,892	(12,111)	(12)	25,779	41,507
Fund Balances at Beginning of Year	<u>165,498</u>	<u>62,419</u>	<u>53</u>	<u>255,805</u>	<u>370,820</u>
Fund Balances at End of Year	<u>\$ 175,390</u>	<u>\$ 50,308</u>	<u>\$ 41</u>	<u>\$ 281,584</u>	<u>\$ 412,327</u>

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

<u>Nonmajor</u>	<u>Total</u>
\$ 97,117	\$ 1,141,001
156,717	166,133
8,044	8,637
37,602	160,057
24,518	31,764
429,036	1,232,755
21,369	21,369
11,063	27,864
<u>785,466</u>	<u>2,789,580</u>
46,885	79,349
148,703	182,157
	347,992
	160,725
194,925	1,038,035
87,123	224,404
108,044	123,367
28,780	39,124
5,754	492,073
68,966	101,669
8,982	8,982
21,419	21,419
21,832	21,832
<u>741,413</u>	<u>2,841,128</u>
44,053	(51,548)
5,950	5,950
25,855	25,855
(26,715)	(26,715)
15	15
1,165	1,165
852	2,707
156,865	370,854
(202,549)	(257,737)
<u>(38,562)</u>	<u>122,094</u>
5,491	70,546
<u>552,377</u>	<u>1,406,972</u>
<u>\$ 557,868</u>	<u>\$ 1,477,518</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, 2007
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds **\$ 70,546**

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	206,369	
Depreciation Expense	(75,548)	
Excess of Capital Outlay Over Depreciation Expense		130,821

The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets. (39,319)

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	48,134	
Capital Lease Payments	1,598	
Total Long-Term Debt Repayment		49,732

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. (7,298)

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. (702)

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	(31,805)	
Bond Issuance and Refunding Costs	(67)	
Bond Premium	(1,180)	(33,052)

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	(655)	
(Increase) Decrease in Compensated Absences	(2,026)	
(Increase) Decrease in Workers Compensation	41	
(Increase) Decrease in Unclaimed Property	(5)	
Total Additional Expenditures		(2,645)

Change in Net Assets of Governmental Activities **\$ 168,083**

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, 2007
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major				Activities	
		Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Assets	Lottery					
Current Assets:						
Cash and Cash Equivalents	\$ 7,773	\$ 4,237	\$ 12,482	\$ 86,670	\$ 111,162	\$ 55,843
Receivables:						
Interest and Dividends	145	1,786	1,207	909	4,047	682
Other Funds				223	223	7,047
Component Units				26	26	791
Other Governments		262	386	230	878	105
Loans and Notes (Net)		14,998	5,275	7,935	28,208	
Other (Net)	5,072			1,113	6,185	374
Inventory				1,643	1,643	905
Securities Lending Collateral	1,277			11,448	12,725	9,636
Deferred Fiscal Charges and Other Assets		30	35	87	152	1,861
Total Current Assets	14,267	21,313	19,385	110,284	165,249	77,244
Restricted Assets:						
Restricted Cash		10	11		21	
Restricted Investments		374	948		1,322	
Other	988				988	
Investments		39,008	22,129		61,137	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	960			7,149	8,109	77,459
Accumulated Depreciation	(941)			(4,634)	(5,575)	(53,763)
Construction in Progress					0	427
Total Capital Assets	19	0	0	2,810	2,829	24,123
Other Noncurrent Assets		139,773	101,574	36,770	278,117	
Total Assets	15,274	200,478	144,047	149,864	509,663	101,367
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,169	218	119	843	3,349	3,825
Payable To:						
Other Funds	5,626			165	5,791	1,242
Component Units					0	67
Escrow Payable	40				40	
Bonds, Notes and Leases Payable		2,544	1,729		4,273	3,169
Claims, Judgments and Compensated Absences	118	24	16	1,908	2,066	16,742
Accrued Interest Payable		994	857		1,851	
Deferred Revenue	132			1,955	2,087	6,778
Securities Lending Collateral Liability	1,277			11,448	12,725	9,636
Total Current Liabilities	9,362	3,780	2,721	16,319	32,182	41,459
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		52,453	43,072		95,525	5,378
Claims, Judgments and Compensated Absences	107	22	15	361	505	17,316
Total Liabilities	9,469	56,255	45,808	16,680	128,212	64,153
Net Assets						
Invested In Capital Assets, Net of Related Debt	19			2,810	2,829	15,576
Restricted For:						
Debt Service		385	959		1,344	
Other	988				988	
Unrestricted	4,798	143,838	97,280	130,374	376,290	21,638
Total Net Assets	\$ 5,805	\$ 144,223	\$ 98,239	\$ 133,184	\$ 381,451	\$ 37,214

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, 2007
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Major		Nonmajor	Total		
	Lottery	Clean Water State Revolving				
Operating Revenue:						
Licenses, Permits and Fees	\$ 1,332	\$	\$	\$ 8,447	\$ 9,779	\$
Use of Money and Property		3,357	2,625	1,581	7,563	37
Sales and Services	151,217	1,122	835	13,619	166,793	172,078
Administering Programs		2,473	11,565	117	14,155	
Assessments				29,872	29,872	
Other Revenue				450	450	1,455
Total Operating Revenue	152,549	6,952	15,025	54,086	228,612	173,570
Operating Expenses:						
Personal Services and Benefits	1,357	210	183	7,320	9,070	29,564
Travel	127	7	7	879	1,020	662
Contractual Services	6,876	184	266	7,431	14,757	28,251
Supplies and Materials	551	2	2	4,537	5,092	16,741
Other	40	1,096	197	665	1,998	
Interest		2,467	2,030		4,497	370
Depreciation/Amortization	11	30	35	406	482	8,547
Lottery Prizes	22,322				22,322	
Insurance Claims				34,338	34,338	101,057
Total Operating Expenses	31,284	3,996	2,720	55,576	93,576	185,192
Operating Income (Loss)	121,265	2,956	12,305	(1,490)	135,036	(11,622)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	453
Loss on Disposal of Assets					0	(117)
Interest Income	733	3,104	1,825	5,347	11,009	3,608
Other Expense	(120)			(671)	(791)	(563)
Grant and Other Income	148			1,295	1,443	
Total Nonoperating Revenue (Expenses)	761	3,104	1,825	5,971	11,661	3,381
Income (Loss) Before Transfers	122,026	6,060	14,130	4,481	146,697	(8,241)
Transfers:						
Transfers In			81	1,454	1,535	2,159
Transfers Out	(121,068)	(106)	(23)	(403)	(121,600)	(1,216)
Net Transfers In (Out)	(121,068)	(106)	58	1,051	(120,065)	943
Change in Net Assets	958	5,954	14,188	5,532	26,632	(7,298)
Net Assets at Beginning of Year, Restated	4,847	138,269	84,051	127,652	354,819	44,512
Net Assets at End of Year	\$ 5,805	\$ 144,223	\$ 98,239	\$ 133,184	\$ 381,451	\$ 37,214

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, 2007
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 152,567	\$ 1,046	\$ 825	\$ 50,543	\$ 204,981	\$ 64,187
Receipts from Interfund Services Provided				4,109	4,109	110,167
Receipts from Federal Agencies		2,563	11,754	179	14,496	
Receipts from Loan Payments		10,567	9,191	5,638	25,396	
Payments to Suppliers and for Benefits and Claims	(6,731)	(1,345)	(242)	(48,488)	(56,806)	(132,018)
Payments for Employee Services	(1,354)	(197)	(183)	(7,381)	(9,115)	(29,545)
Payments for Interfund Services Used	(835)			(1,318)	(2,153)	(11,954)
Payments for Lottery Prizes	(22,296)				(22,296)	
Payments for Loans Originated		(45,609)	(21,328)	(9,438)	(76,375)	
Other Receipts (Payments)	138	(10)	(196)	257	189	117
Net Cash Provided (Used) by Operating Activities	121,489	(32,985)	(179)	(5,899)	82,426	954
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets				(63)	(63)	(5,561)
Sales of Capital Assets						752
Payments on Capital Lease Obligations				(4)	(4)	(3,353)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(67)	(67)	(8,162)
Cash Flows From Noncapital Financing Activities:						
Transfers In			81	1,454	1,535	2,142
Transfers Out	(120,811)	(106)	(23)	(403)	(121,343)	(1,216)
Received on Interfund Borrowing						(23)
Payments on Bonds and Notes		(1,210)	(1,360)		(2,570)	
Interest Payments on Bonds and Notes		(2,322)	(2,159)		(4,481)	
Other Noncapital Financing Activities				1,098	1,098	
Net Cash Provided (Used) by Noncapital Financing Activities	(120,811)	(3,638)	(3,461)	2,149	(125,761)	903
Cash Flows From Investing Activities:						
Investment Income	689	3,785	2,012	5,173	11,659	3,494
Purchase of Investment Securities		(15,000)	(11,291)		(26,291)	
Proceeds from the Sale and Maturity of Investments		45,385	22,591		67,976	
Security Lending Rebate Fees	(120)			(670)	(790)	(563)
Net Cash Provided (Used) by Investing Activities	569	34,170	13,312	4,503	52,554	2,931
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	1,247	(2,453)	9,672	686	9,152	(3,374)
Cash and Cash Equivalents at Beginning of Year	6,526	6,700	2,821	85,984	102,031	59,217
Cash and Cash Equivalents at End of Year	\$ 7,773	\$ 4,247	\$ 12,493	\$ 86,670	\$ 111,183	\$ 55,843

continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 121,265	\$ 2,956	\$ 12,305	\$ (1,490)	\$ 135,036	\$ (11,622)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	11	30	35	406	482	8,547
Interest Expense		2,467	2,030		4,497	337
Miscellaneous Nonoperating Items	148			197	345	
Decrease/(Increase) in Assets:						
Accounts Receivable	152			162	314	138
Interest, Dividends & Penalties Receivable		(213)	(39)	(14)	(266)	
Loans and Notes Receivable		(38,186)	(14,723)	(5,388)	(58,297)	
Due From Other Funds				177	177	102
Due From Component Units				(1)	(1)	197
Due From Other Governments		14	179	(18)	175	
Inventory				423	423	50
Deferred Fiscal Charges and Other Assets				(10)	(10)	139
Other Restricted Assets	(14)				(14)	
Increase/(Decrease) in Liabilities:						
Accounts Payable	(14)	(66)	34	(517)	(563)	128
Accrued Liabilities	(4)		1	5	2	5
Compensated Absences Payable	7	13	(1)	65	84	3
Due To Other Funds	(24)			(38)	(62)	(68)
Due to Component Units						16
Deferred Revenue	(81)			691	610	424
Escrow Payable	(11)				(11)	
Policy Claim Liabilities				(549)	(549)	2,558
Other Liabilities	54				54	
Net Cash Provided (Used) by Operating Activities	<u>\$ 121,489</u>	<u>\$ (32,985)</u>	<u>\$ (179)</u>	<u>\$ (5,899)</u>	<u>\$ 82,426</u>	<u>\$ 954</u>
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets						336
Capital Lease Obligations Entered Into						(3,340)

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, 2007
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	\$ 9,702	\$ 18,889	\$ 34,115
Receivables:			
Employer	2,601		
Employee	6,230		
Benefits	82		
Unsettled Investment Sales	25,151		
Taxes Receivable			30,328
Due From Other Funds		126	86
Due From Other Governments			53
Investment Income	18,218	663	97
Other		1,508	1,027
Total Receivables	52,282	2,297	31,591
Investments, at Fair Value:			
Fixed Income	1,745,131		
Equities	5,115,191		
Real Estate	858,884		
Private Equity	561,425		
Pooled Investment Funds		133,198	
Total Investments	8,280,631	133,198	0
Securities Lending Collateral	597,119	32,269	
Properties, at Cost	85	14,124	
Accumulated Depreciation	(40)		
Other Assets	12	10	
Total Assets	8,939,791	200,787	\$ 65,706
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,671	359	\$ 17,912
Due To Other Funds	40	184	
Due To Other Governments			47,794
Compensated Absences Payable	212		
Securities Sold, But Not Yet Purchased, at Fair Value	99,633		
Unsettled Investment Purchases	26,976		
Securities Lending Collateral Liability	597,119	32,269	
Total Liabilities	726,651	32,812	\$ 65,706
Net Assets			
Held in Trust For:			
Pension Benefits	8,213,140		
Individuals and Other Governments		167,975	
Total Net Assets	\$ 8,213,140	\$ 167,975	

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, 2007
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employee	\$ 86,933	\$
Employer	85,362	
From Participants		430
From Clients and Inmates		8,576
Total Contributions	<u>172,295</u>	<u>9,006</u>
Investment Income:		
From Investing Activities		
Net Increase (Decrease) in Fair Value of Investments	1,238,022	10,169
Interest	92,483	9,444
Dividends	111,735	815
Real Estate	12,672	
Investment Activity Income	<u>1,454,912</u>	<u>20,428</u>
Less Investment Activity Expenses	<u>(20,454)</u>	
Net Investment Activity Income	<u>1,434,458</u>	<u>20,428</u>
From Security Lending Activities		
Security Lending Income	32,110	2,041
Security Lending Expenses	<u>(30,838)</u>	<u>(2,004)</u>
Net Security Lending Activity Income	<u>1,272</u>	<u>37</u>
Net Investment Income (Loss)	<u>1,435,730</u>	<u>20,465</u>
Escheated Property		51
Miscellaneous Income		4,827
Transfers From Other Funds	<u>6,000</u>	<u>5</u>
Total Additions	<u>1,614,025</u>	<u>34,354</u>
Deductions		
Benefits	256,250	
Refunds of Contributions	28,777	
Distribution to School Districts		8,453
Payments made for Trust Purposes		9,947
Administrative Expenses	<u>3,154</u>	<u>1</u>
Total Deductions	<u>288,181</u>	<u>18,401</u>
Net Increase (Decrease)	1,325,844	15,953
Net Assets Held In Trust		
Beginning of Year	<u>6,887,296</u>	<u>152,022</u>
End of Year	<u>\$ 8,213,140</u>	<u>\$ 167,975</u>

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

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2007
(Expressed in Thousands)

Assets	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
Current Assets:					
Cash and Cash Equivalents	\$ 246,473	\$ 34,359	\$ 163,860	\$ 2,660	\$ 447,352
Receivables:					
Interest and Dividends	11,822	416	1,853	206	14,297
Primary Government			1,356		1,356
Other Governments		487	18,336		18,823
Loans and Notes (Net)	67,493		7,838	2,283	77,614
Other (Net)		55	12,910	2	12,967
Investments	234,420		9,402	1,387	245,209
Inventory	2,112		6,918		9,030
Securities Lending Collateral		5,960	26,166		32,126
Deferred Fiscal Charges and Other Assets		529	2,152	102	2,783
Total Current Assets	562,320	41,806	250,791	6,640	861,557
Investments	395,368		223,209	1,440	620,017
Restricted Assets:					
Cash and Cash Equivalents			1,783	28	1,811
Investments			72,514	6,582	79,096
Other			31,747		31,747
Capital Assets:					
Land and Other Non-depreciable Assets	220	12,415	22,923		35,558
Property, Plant and Equipment	3,737	7,915	651,033		662,685
Accumulated Depreciation	(2,654)	(216)	(329,502)		(332,372)
Construction in Progress		977	71,382		72,359
Total Capital Assets	1,303	21,091	415,836		438,230
Other Noncurrent Assets (net)	1,253,741		35,181	18,554	1,307,476
Total Assets	2,212,732	62,897	1,031,061	33,244	3,339,934
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	3,044	657	22,303	12	26,016
Payable To:					
Primary Government	21		954		975
Escrow Payable	21,478				21,478
Bonds, Notes and Leases Payable	231,186		10,809	1,925	243,920
Claims, Judgments and Compensated Absences		10	8,164		8,174
Accrued Interest Payable	13,794		2,445	265	16,504
Deferred Revenue			1,447	37	1,484
Securities Lending Collateral Liability		5,960	26,166		32,126
Other Current Liabilities			16,932	115	17,047
Total Current Liabilities	269,523	6,627	89,220	2,354	367,724
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	1,588,972		194,330	19,924	1,803,226
Claims, Judgments and Compensated Absences	297	10	23,236		23,543
Federal Capital Contribution Refundable Advance			34,988		34,988
Other Noncurrent Liabilities	1,695		16,280	1,681	19,656
Total Liabilities	1,860,487	6,637	358,054	23,959	2,249,137
Net Assets					
Invested In Capital Assets, Net of Related Debt	1,303	21,091	268,520		290,914
Restricted For:					
Debt Service	350,942		4,056	6,610	361,608
Higher Education - Expendable			125,416		125,416
Higher Education - Nonexpendable			218,677		218,677
Indemnification		10,000			10,000
Other		3,459			3,459
Unrestricted		21,710	56,338	2,675	80,723
Total Net Assets	\$ 352,245	\$ 56,260	\$ 673,007	\$ 9,285	\$ 1,090,797

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of \$18,264)	\$	\$	\$ 133,183	\$	\$ 133,183
Use of Money and Property	138,164	1		1,307	139,472
Sales and Services (net of discounts and allowances for scholarships of \$5,424)			74,861		74,861
Administering Programs			107,965		107,965
Other Revenue	10,122		69,119		79,241
Total Operating Revenue	148,286	1	385,128	1,307	534,722
Operating Expenses:					
Personal Services and Benefits	3,001	377	298,071	47	301,496
Travel	191	24	13,396		13,611
Contractual Services	8,944	545	69,802	89	79,380
Supplies and Materials	108	17	57,404		57,529
Grants and Subsidies	26,637		28,317		54,954
Other	329		3,699	10	4,038
Interest	77,608		35	1,117	78,760
Depreciation/Amortization	3,431	216	23,382	16	27,045
Total Operating Expenses	120,249	1,179	494,106	1,279	616,813
Operating Income (Loss)	28,037	(1,178)	(108,978)	28	(82,091)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets			(2,563)		(2,563)
Interest Income		2,089	6,371	454	8,914
Interest Expense			(7,129)	(13)	(7,142)
Other Expense		(344)	(2,661)		(3,005)
State Aid from Primary Government			160,725		160,725
Federal Appropriation			6,544		6,544
Grant and Other Income		854	3,154	2	4,010
Total Nonoperating Revenue (Expenses)	0	2,599	164,441	443	167,483
Income (Loss) Before Capital Grants and Additions to Endowments	28,037	1,421	55,463	471	85,392
Capital Grants			3,081		3,081
Additions to Endowments			10,500		10,500
Change in Net Assets	28,037	1,421	69,044	471	98,973
Net Assets At Beginning of Year, Restated	324,208	54,839	603,963	8,814	991,824
Net Assets at End of Year	\$ 352,245	\$ 56,260	\$ 673,007	\$ 9,285	\$ 1,090,797

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

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 State's major discretely presented component units are:

South Dakota Housing Authority
Science and Technology Authority
Higher Education (Affiliated organizations of Higher Education were excluded from the notes to the financial statements.)

The State's nonmajor discretely presented component units are:

Value Added Finance Authority
Conservation Reserve Enhancement Program (CREP)
South Dakota Finance Authority

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

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

C. Government-Wide and Fund Financial Statements

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

to the financial statements is the primary government. A separate column is presented for all discretely presented component units.

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

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

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

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary, Fiduciary, and Similar Component Units Financial Statements

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

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

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

The State reports the following major proprietary funds:

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

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

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

In addition, the State reports the following fund types:

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

E. Budgetary Accounting

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

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

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

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2007 totaled \$43,058,000.

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. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature.

Investments, as reported on the balance sheet, represent all long-term investments not considered cash equivalents. Investments include corporate stocks, bonds, convertible debt, U.S. government 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, 2007 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, 2007, the commodities inventory was reported in the amount of \$1,090,000.

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 \$7,596,245 and \$375,585, respectively, as of June 30, 2007. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

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

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

Net Assets/Fund Balances

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

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

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

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

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

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2007 was \$43,247,000 and is reported as unreserved designated equity in the General Fund.

G. Compensated Absences

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

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

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2007, the amount of certificate of deposits being held by the Lottery was \$430,530 and is included in cash and cash equivalents on the balance sheet. The amount of \$6,142,800 was in the form of surety bonds, deposits in cash, 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. An example is the transfer of profits from the Lottery Fund to the General Fund. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

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

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

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Restatements-Primary Government

The beginning net assets for the Revolving Economic Development Initiative Fund, reported as a nonmajor proprietary fund, decreased by \$537,000 for the restatement of Value Added Sub Fund projects that were included as loans receivable in the previous fiscal year. Although the projects have been completed, the Board of Economic Development has yet to determine if they will require repayment.

The beginning net assets balance reported for governmental activities in the government-wide Statement of Activities was increased by \$14,922,000 for the restatement of various fixed assets that were not capitalized in prior periods.

Restatements-Component Units

The beginning net assets balance reported for the Science and Technology Authority was increased by \$19,951,000 for the restatement of capital assets not included in prior years.

The beginning net assets balance reported for Higher Education was decreased by \$27,660,000 for the restatement of capital assets erroneously included in their previous financial statements as well as various other miscellaneous reporting errors of prior years.

Recently Issued Pronouncements

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 GASB Statement No. 45 are effective for the State's fiscal year 2008 financial statements.

In September 2006, the GASB issued Statement 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. The requirements of GASB Statement No. 48 are effective for the State's fiscal year 2008 financial statements.

In November 2006, the GASB issued Statement 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement establishes standards for accounting and financial reporting for pollution remediation obligations. The requirements of GASB Statement No. 49 are effective for the State's fiscal year 2009 financial statements.

In May 2007, the GASB issued Statement 50, Pension Disclosures. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of GASB Statement No. 50 are effective for the State's fiscal year 2008 financial statements.

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

In November 2007, the GASB issued Statement 52, Land and Other Real Estate Held as Investments by Endowments. This statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. The requirements of GASB Statement No. 52 are effective for the State's fiscal year 2009 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 \$16,991,550 for deficit cash balances that existed in various state funds at June 30, 2007, 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 78% of the Cash Flow Portfolio) and discretely presented component units (comprising 22% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Building Authority CREP Program and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2007, pledged collateral for seven depositories did not equal at least 100% of the total public deposits in excess of depository insurance. As a result, \$108,303 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2007, 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 \$25,807,633.

At June 30, 2007, 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 \$7,556,222.

At June 30, 2007, 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 \$632,900.

Investments

Custodial Credit Risk. At June 30, 2007, 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	\$	\$ 8,163	\$	\$ 97,009
Security Lending Collateral	150,870	596,154	87,568	
Total Fair Value	\$ 99,944	\$ 604,317	\$ 87,568	\$ 97,009

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 investment-grade fixed income portfolios are benchmarked to the duration of the Citigroup (BIG) Index. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds. The 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	\$ 60,507	1.35	\$ 152,583	6.23	\$ 31,642	5.89	\$	
U.S. Treasury strips			34,641	15.71	3,779	8.90		
U.S. Treasury inflation protected securities					63,624	3.33		
U.S. agencies	270,814	1.57	105,237	6.12	32,110	6.26	11,128	.45
U.S. Government-backed loans					3,716	10.62		
Investment grade corporate	412,735	1.69	281,167	3.84	32,557	4.12		
High-yield corporates			169,881	3.90	2,809	5.03		
High-yield bond mutual fund					6,744	5.00		
Mortgage-backed securities			406,691	4.62	75,546	4.66		
Mutual funds			319,388					
Municipal bonds					116,126	5.70		
Commercial paper					32,660	.03		
Bank debt								
Investment agreements							85,881	16.88
Total	\$ 744,056		\$ 1,469,588		\$ 401,313		\$ 97,009	
Portfolio modified duration		1.61		3.92		4.66		15.00

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio actively managed portion can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow Portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2007, 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	\$ 343,617	\$ 790,484	\$ 195,225	\$ 27,556
Aa	155,338	78,870	48,091	69,453
A	239,960	52,695	9,404	
Baa	12,793	85,365	11,681	
Ba		93,590	2,560	
B		22,042	249	
Caa		1,110		
Ca				
C				
P-1			32,661	
Unrated		107,500	13,249	51,581
Total	\$ 751,708	\$ 1,231,656	\$ 313,120	\$ 148,590

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, 2007, 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	Equities U.S. Dollar Fair Value	Cash U.S. Dollar Fair Value	Total
Australian Dollar	\$ 3,518		\$ 47			\$ 3,565
Brazilian Real	1,085					1,085
British Pound	397,687		6,283	17,701	1,023	403,970
Canadian Dollar	104,994		1,658			106,652
Chinese Renminbi	890		7			897
Danish Kroner	524		30			554
Euro	480,248	311	7,250	22,493	2,503	487,809
Hong Kong Dollar	3,512		3			3,515
Indonesian Rupiah	382					382
Israeli Shekel	1,157		3			1,160
Japanese Yen	195,111		4,996	8,823	1,341	200,107
Korean Won	68,057		(486)			67,571
Malaysian Ringgit	1,053					1,053
Mexican Peso	3,946		770			4,716
New Zealand Dollar	703					703
Norwegian Krone	5,276		168			5,444
Singapore Dollar	2,073		2,114			4,187
Swedish Krona	4,552		142			4,694
Swiss Franc	143,223		2,823	4,028	2,689	146,046
Taiwan Dollar	1,337					1,337
Total Fair Value	\$ 1,419,328	\$ 311	\$ 25,808	\$ 53,045	\$ 7,556	\$ 1,445,447

Investments with limited partnerships and certain global equity investments with outside managers, which are not included in the table above, may expose the State to additional foreign currency risk. For the Trust Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2007 was \$70,537,829. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2007 was \$1,420,785,060. The total fair value of global equity investments managed by outside managers was \$506,298,571. The total fair value of arbitrage equity investments managed by outside managers was \$66,080,522.

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

Securities Lending Transactions

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

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 Primary Government

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

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2007 were as follows (expressed in thousands):

	<u>Open Positions</u>	<u>Contracts</u>	<u>Fair Value</u>
S&P 500 Index due September 2007	Short	1,330	(\$499,864)
US Treasury note due September 2007	Long	950	108,072
WTI Crude due July 2007	Short	436	(30,816)
WTI Crude due August 2007	Short	490	(34,633)
WTI Crude due September 2007	Short	373	(26,364)
WTI Crude due October 2007	Short	90	(6,361)
WTI Crude due November 2007	Short	155	(10,955)

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into such a contract, SDRS pledges cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange to the broker. Additionally, SDRS receives or pays a daily fluctuation in value of the contract. The use of futures contracts is subject to various market risks. The maximum amount at risk from the purchase (long position) of a futures contract is the contract value. The amount at risk from the sale (short position) of a futures contract depends upon the amount that the contract raises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure. 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 \$99,633,085 as of June 30, 2007. A short sale involves the sale of securities

not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

The SDIC also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations. The SDIC does not engage in foreign currency speculation. The contracts do not subject SDRS to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. The unrealized loss on foreign exchange forward contracts as of June 30, 2007 was \$2,858,249. This amount does not include limited partnerships and certain global equity 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, 2007 was \$1,411,188,757. The total fair value of global equity investments managed by outside managers was \$504,836,261. The total fair value of arbitrage equity managed by outside managers was \$63,825,972.

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

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities issued by the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). The fair value of these securities as of June 30, 2007 was \$505,374,099. 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. Details regarding the interest rate risks for these investments are included with the interest rate risk disclosures.

Cement Plant Retirement Fund. The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial and interest rate futures as a means of adjusting the plan's portfolio mix. Futures contracts outstanding at June 30, 2007 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
S&P 500 Index due September 2007	Short	3	(\$1,128)
US Treasury note due September 2007	Long	9	1,024
WTI Crude July 2007	Short	2	(141)
WTI Crude August 2007	Short	3	(212)
WTI Crude September 2007	Short	2	(141)

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, 2007 was \$3,369,912. The SDIC is using this investment to enhance fixed returns.

Trust Portfolios. The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust fixed income portfolios invest in mortgage-backed securities in the form of GNMA's and FNMA's. The fair value of these securities as of June 30, 2007 was \$23,862,413, \$35,092,734, \$3,990,481 and \$12,600,370, respectively. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the fair value of these securities. The SDIC invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding the interest rate risks for these investments are included with the interest rate risk disclosures.

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2007 the component units had deposits that were not collateralized or covered by depository insurance in the amount of \$686,225.

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, 2007, investments in the amount of \$10,176,100 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 GNMA, FNMA and FHLMC. Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk.

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

As of June 30, 2007, component units had investments maturing as follows (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Treasuries bills	\$ 631	\$ 631	\$	\$	\$
U.S. Treasuries notes	23,577	1,017	9,170	13,390	
U.S. Treasury strips	46			46	
U.S. Treasury bonds	951				951
U.S. agencies	448,572	224,209	128,049	34,101	62,213
Mutual funds	155,523	155,523			
State Obligations	27,243	3,013	13,032	10,698	500
Investment agreements	177,937	9,289	76,024	456	92,168
Total	\$ 834,480	\$ 393,682	\$ 226,275	\$ 58,691	\$ 155,832

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, 2007, the Housing Development Authority, Economic Development Finance Authority and the Board of Regent's investments had the following ratings (expressed in thousands):

Moody's Rating	Fair Value
AAA	\$ 715,060
AA	84,414
A	
Unrated	8,846
Total Fair Value	\$ 808,320

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, 2007, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (29.27%), Federal National Mortgage Association (10.60%), Depfa (8.30%), Pallas Capital Corporation Investment Agreement (9.18%) and Federal Home Loan Mortgage Corporation (8.52%).

Derivative Financial Instruments in Component Units

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

Swap Terms. The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2007, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally 10 years after the date of issuance of the related bonds (expressed in thousands).

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating*	Fair Value
2003 C-1	\$ 26,500	6/18/04	3.400%	57% of LIBOR plus 0.42%	5/01/2013	Aa3	\$ 184
2004 G	33,000	10/20/04	3.897%	63.4% of LIBOR plus 0.29%	5/01/2034	Aaa	1,279
2005 C	41,000	4/13/05	3.930%	63.3% of LIBOR plus 0.30%	5/01/2035	Aaa	1,414
2005 D	6,925	4/13/05	3.290%	57.3% of LIBOR plus 0.40%	5/01/2015	Aa3	127
2003 F	13,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	734
2003 I	28,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	1,588
2004 C	34,000	6/21/05	3.745%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	1,979
2005 G	25,000	7/19/05	3.773%	63.8% of LIBOR plus 0.29%	5/01/2035	Aa3	1,355
2006 C	45,000	6/14/06	4.419%	64% of LIBOR plus 0.29%	5/01/2037	Aa3	(444)

* Moody's Investors Service

The fair values presented above were estimated by the Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2007. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks

Credit Risk. The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. As of June 30, 2007, the Authority has a net credit risk exposure to its counterparty because the combined swap position had a positive net fair value.

Basis Risk. The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2007, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 3.67% per annum, while the weighted average interest rate on the swaps was 3.66% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one-month, taxable LIBOR rate.

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

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

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

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2007 (expressed in thousands):

Year End June 30	Variable-Rate Bond		Interest Rate	Total	
	Principal	Interest	Swap – Net		
2008	\$	\$ 9,570	\$ 561	\$	10,131
2009		9,570	561		10,131
2010		9,570	561		10,131
2011		9,570	561		10,131
2012		9,570	561		10,131
2013-2017		47,850	2,887		50,737
2018-2022		47,850	2,930		50,780
2023-2027	255	47,850	2,930		51,035
2028-2032	72,075	44,648	2,773		119,496
2033-2037	180,095	13,948	1,115		195,158
Total	\$ 252,425	\$ 249,996	\$ 15,440	\$	517,861

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								
	General Fund	Trans- portation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	Total
Taxes Receivable	\$103,107	\$ 11,561	\$	\$	\$	\$ 5,600	\$	\$120,268
Allowance	(5,307)	(11)				(96)		(5,414)
Accounts Receivable	3,245	250	2,183		4,600	18,989	374	29,641
Allowance	(1,070)					(34)		(1,104)
Due From Other Governments	932	34,404	39,968			64,489	105	139,898
Interest Receivable	4,072	298	3	1,462	2,289	3,288	682	12,094
Current Loans and Notes		187				2,004		2,191
Allowance						(132)		(132)
Non-current Loans and Notes		97				36,039		36,136
Allowance						(60)		(60)
Due From Fiduciary Funds	25					126	40	191
Receivables, net	<u>\$105,004</u>	<u>\$ 46,786</u>	<u>\$ 42,154</u>	<u>\$ 1,462</u>	<u>\$ 6,889</u>	<u>\$ 130,213</u>	<u>\$ 1,201</u>	<u>\$333,709</u>
Business-type Activities								
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total			
Accounts Receivable	\$ 5,087	\$	\$	\$ 3,359	\$ 8,446			
Allowance	(15)			(2,246)	(2,261)			
Due From Other Governments		262	386	230	878			
Interest Receivable	145	1,786	1,207	909	4,047			
Current Loans Receivable		14,998	5,275	8,126	28,399			
Allowance				(191)	(191)			
Noncurrent Loans Receivable		139,360	101,090	38,264	278,714			
Allowance				(1,494)	(1,494)			
Due From Fiduciary Funds				33	33			
Receivables, net	<u>\$ 5,217</u>	<u>\$ 156,406</u>	<u>\$ 107,958</u>	<u>\$ 46,990</u>	<u>\$ 316,571</u>			

B. Accounts Payable and Other Current Liabilities

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

Governmental Activities						
	General Fund	Transportation Fund	Social Services Federal Fund	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	\$ 9,897	\$ 3,892	\$ 1,562	\$ 7,981	\$ 1,784	\$ 25,116
Accounts Payable	9,172	36,713	2,762	20,457	2,041	71,145
Medicaid Claims	16,160		26,389	6,287		48,836
Due to Other Governments	2,352	2,568	118	30,186		35,224
Shared Revenue Distribution	35,948			13,582		49,530
Claims Payable					10,960	10,960
Due to Fiduciary Funds	142			57		199
Total	<u>\$ 73,671</u>	<u>\$ 43,173</u>	<u>\$ 30,831</u>	<u>\$ 78,550</u>	<u>\$ 14,785</u>	<u>\$ 241,010</u>

Business-type Activities					
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Nonmajor Enterprise Funds	Total
Payroll and Withholdings	\$ 83	\$ 13	\$ 11	\$ 445	\$ 552
Accounts Payable	1,633	205	108	398	2,344
Due to Fiduciary Funds				13	13
Escrow Payable	40				40
Claims Payable				1,507	1,507
Other Liabilities	453				453
Total	<u>\$ 2,209</u>	<u>\$ 218</u>	<u>\$ 119</u>	<u>\$ 2,363</u>	<u>\$ 4,909</u>

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2007 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	\$	\$	\$ 8,515	\$ 14,767	\$ 14,268	\$ 289	\$ 2	\$ 14	\$ 26	\$ 37,881
Transportation Fund	138		18		553	26		348		1,083
Social Services Fund					34					34
Non-major Governmental Funds	1,140	120	312		4,835	5,247	25	90	126	11,895
Non-major Enterprise Funds	57	9	15		9			101	32	223
Internal Service Funds	1,968	1,172	597		2,392	64	125	689	40	7,047
Fiduciary Funds	142				57		13			212
Total	\$ 3,445	\$ 1,301	\$ 9,457	\$ 14,767	\$ 22,148	\$ 5,626	\$ 165	\$ 1,242	\$ 224	\$ 58,375

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, 2007, which are not shown in the above table. These are amounts owed between funds that are not due within one year. In fiscal year 2007, advances include \$339,000 due from the Aeronautics Fund, reported as a non-major governmental fund, to the General Fund for the reimbursement of state aircraft maintenance costs, \$12,000,000 due from the Parks and Recreation Fund to the General Fund, reported as a non-major governmental fund, for improvements to Custer State Park, and \$374,000 from the Energy Conservation Fund, reported as non-major governmental fund, to various non-major governmental funds for energy conservation projects.

B. Interfund Transfers

Transferred From	Transferred To								Total
	General Fund	Transportation Fund	Education Enhancement Fund	Non-major Governmental Funds	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Internal Service	Fiduciary	
General Fund	\$	\$ 73	\$	\$ 20,231	\$	\$ 1,379	\$ 1,159	\$	\$ 22,842
Transportation Fund	4,822			186					5,008
Dakota Cement Trust Fund	12,571								12,571
Education Enhancement Trust Fund	14,767								14,767
Non-major Governmental Funds	168,812	3,349	3,846	20,462		75		6,005	202,549
Lottery Fund	5,749			115,319					121,068
Clean Water State Revolving Fund				25	81				106
Drinking Water State Revolving Fund				23					23
Non-major Enterprise Funds				403					403
Internal Service Funds				216			1,000		1,216
Total	\$ 206,721	\$ 3,422	\$ 3,846	\$ 156,865	\$ 81	\$ 1,454	\$ 2,159	\$ 6,005	\$ 380,553

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

In fiscal year 2007, \$160,725,000 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 the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2007 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated:				
Land	\$ 73,453	\$ 2,786	\$ 1,010	\$ 75,229
Land Improvements	3,375			3,375
Land Improvements - Roads	574,304	7,187		581,491
Construction in Progress	253,240	170,535	200,326	223,449
Total Capital Assets Not Being Depreciated	904,372	180,508	201,336	883,544
Capital Assets Being Depreciated:				
Land Improvements	14,124	354		14,478
Buildings	306,320	22,640	14	328,946
Equipment	164,569	17,602	7,008	175,163
Vehicles	103,516	15,506	8,110	110,912
Infrastructure	2,832,093	183,894	51,620	2,964,367
Total Capital Assets Being Depreciated	3,420,622	239,996	66,752	3,593,866
Less: Accumulated Depreciation for:				
Land Improvements	3,647	717	54	4,310
Buildings	113,051	9,058	36	122,073
Equipment	85,762	14,003	4,942	94,823
Vehicles	59,447	9,784	6,958	62,273
Infrastructure	1,129,096	50,649	12,709	1,167,036
Total Accumulated Depreciation	1,391,003	84,211	24,699	1,450,515
Total Capital Assets Being Depreciated, Net	2,029,619	155,785	42,053	2,143,351
Total Governmental Activities, Net	\$ 2,933,991	\$ 336,293	\$ 243,389	\$ 3,026,895

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated:				
Land	\$ 295	\$	\$	\$ 295
Total Capital Assets Not Being Depreciated	<u>295</u>			<u>295</u>
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	3,134	122	78	3,178
Total Capital Assets Being Depreciated	<u>8,066</u>	<u>122</u>	<u>78</u>	<u>8,110</u>
Less: Accumulated Depreciation for:				
Land Improvements	428	29		457
Buildings	2,595	81		2,676
Equipment	2,150	371	78	2,443
Total Accumulated Depreciation	<u>5,173</u>	<u>481</u>	<u>78</u>	<u>5,576</u>
Total Capital Assets Being Depreciated, Net	<u>2,893</u>	<u>(359)</u>	<u>0</u>	<u>2,534</u>
Total Business-type Activities, Net	<u>\$ 3,188</u>	<u>\$ (359)</u>	<u>\$ 0</u>	<u>\$ 2,829</u>

Depreciation was charged to the function of government as follows:

	Amount
Governmental Activities	
Unallocated	\$ 58
General Government	11,373
Health and Human Services	2,383
Law, Justice, and Public Protection	6,422
Agriculture and Natural Resources	2,641
Transportation	60,129
Education	1,105
Economic Resources	100
Total Governmental Activities	<u>\$ 84,211</u>
Business-type Activities	
Enterprise Funds	<u>\$ 481</u>

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2007 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	\$ 11,170	\$	\$	\$ 11,170
Construction in Progress	68,034	30,141	26,793	71,382
Works of Art and Historical Treasures	7,939	37	4	7,972
Total Capital Assets Not Being Depreciated	87,143	30,178	26,797	90,524
Capital Assets Being Depreciated:				
Land Improvements	39,232	998	150	40,080
Buildings	399,871	25,239	9,170	415,940
Equipment and Other Assets	170,934	13,147	1,921	182,160
Total Capital Assets Being Depreciated	610,037	39,384	11,241	638,180
Less: Accumulated Depreciation for:				
Land Improvements	17,405	1,408	150	18,663
Buildings	174,011	11,227	6,740	178,498
Equipment and Other Assets	123,603	10,341	1,608	132,336
Total Accumulated Depreciation	315,019	22,976	8,498	329,497
Total Capital Assets Being Depreciated, Net	295,018	16,408	2,743	308,683
Total Higher Education Capital Assets, Net	382,161	46,586	29,540	399,207
South Dakota Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land		220		220
Total Capital Assets Not Being Depreciated	0	220	0	220
Capital Assets Being Depreciated:				
Equipment	3,566	295	124	3,737
Less: Accumulated Depreciation for:				
Equipment	2,506	267	119	2,654
Total Capital Assets Being Depreciated, Net	1,060	28	5	1,083
Total Housing Authority Capital Assets, Net	1,060	248	5	1,303
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	1,511	13		1,524
Underground Mine	10,800	91		10,891
Construction in Progress		977		977
Total Capital Assets Not Being Depreciated	12,311	1,081	0	13,392
Capital Assets Being Depreciated:				
Buildings	7,689	123		7,812
Improvements Other Than Buildings		11		11
Equipment	94	70		164
Total Capital Assets Being Depreciated	7,783	204	0	7,987
Less: Accumulated Depreciation for:				
Buildings	49	202		251
Improvements Other Than Buildings		2		2
Equipment	23	12		35
Total Accumulated Depreciation	72	216	0	288
Total Capital Assets Being Depreciated, Net	7,711	(12)	0	7,699
Total Science and Technology Authority Capital Assets, Net	20,022	1,069	0	21,091
Total Discretely Presented Component Units, Net	\$ 403,243	\$ 47,903	\$ 29,545	\$ 421,601

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, 2007 are as follow (expressed in thousands):

	Amount
Primary Government	
Governmental Activities	
Land Improvements	\$ 182
Buildings and Structures	8,140
Equipment	3,150
Infrastructure	<u>211,977</u>
Total Primary Government	<u>\$ 223,449</u>
Discretely Presented Component Units	
Higher Education	
Land Improvements	\$ 129
Buildings and Structures	68,130
Equipment	347
Infrastructure	<u>2,776</u>
Science and Technology Authority	
Land Improvements	938
Buildings and Structures	<u>39</u>
Total Discretely Presented Component Units	<u>\$ 72,359</u>

7. RETIREMENT PLANS

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

As of June 30, 2007, the number of participating governmental employers was:

School Districts	180
State of South Dakota	1
Board of Regents	1
Municipalities	143
Counties	64
Boards and Commissions	<u>84</u>
Total Employers	<u>473</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, 2007. Fair values were determined based on closing market prices at June 30, 2007 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 1.2% of compensation for optional spouse coverage.

Contributions during fiscal year 2007 totaling \$172,294,544 (\$86,932,782 employee and \$85,361,762 employer) were made in accordance with statutory rates. These contributions represent 13.3% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for fiscal years 2006 and 2005 were \$80,829,338 and \$77,474,967 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, 2007 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, 2007, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2008	\$ 1,395
2009	976
2010	624
2011	447
2012	337
Later	503
	4,282
Less interest	701
Total	\$ 3,581

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

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

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

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

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges. 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, 2007 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, 2007 the fair value of net assets held in trust for pension benefits was \$54,971,175.

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, 2007. 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, 2007 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was \$2,010,245 and \$70,870, respectively. On June 30, 2007 participants in the plan consisted of the following:

Active Participants	51
Vested Terminated Participants	8
Retired Participants and Beneficiaries	204

Investments are carried at fair value to properly reflect asset values at June 30, 2007. Contributions are made by active life plan participants at 5% of their salaries. 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%	\$ 13,079	\$ 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
2005	66,065	49,885	132.4	16,180	2,698	599.8
2006	69,259	52,534	131.8	16,725	2,254	742.1
2007	76,357	53,395	143.0	22,962	2,010	1,142.2

8. DEFERRED COMPENSATION PLAN

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

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

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

9. SPECIAL PAY PLAN

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

Of the \$11,506,640 net assets available for plan benefits at June 30, 2007, \$5,647,385 was held in trust for employees of the State while the remaining \$5,859,255 represents the assets held in trust for employees of other jurisdictions. The assets of the special pay plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

10. COMMITMENTS

Construction and Other Commitments: At June 30, 2007 the Department of Transportation had contractual construction commitments of \$144,027,182 for various highway projects and maintenance commitments (including stockpile) of \$8,848,687. 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 \$70,950,731 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	\$26,183,181
Drinking Water State Revolving Fund	\$18,077,548
Water and Environment Fund Program	\$16,217,945
Federal Funds	\$10,472,057

The Building Authority has contracts and other construction commitments of \$61,059,506.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately \$91,902,534. Financing for these commitments will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of \$25,035,176. 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	\$ 210,467
Value-Added Agriculture Sub Fund	\$ 522,429
REDI Fund Loans	\$ 8,661,887
SD Economic Development Authority	\$ 325,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	
	\$ 1,222,899
Community Development Block Grant (CDBG)	\$ 8,291,040
Future Fund Program	\$ 5,801,454

The Petroleum Release Compensation Fund has commitments of \$3,400,000.

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, originally estimated to be \$45 million. The State's contribution to the costs of reclamation and remediation will come from the sums 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 \$6.13 million as of June 30, 2007 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 and pay 100% of the ongoing water treatment costs. Costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

The South Dakota Science and Technology Authority had a contractual commitment of \$4,963,910 for the Homestake Mine re-entry project (Ross Shaft).

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 \$12,324,000 at June 30, 2007. The Workers' Compensation Fund liability at June 30, 2007 and the changes to the liability during fiscal years ended June 30, 2007 and 2006 listed on the following page were as follows (expressed in thousands):

	<u>FY2007</u>	<u>FY2006</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 14,140	\$ 14,027
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	1,314	348
Changes in provision for insured events of prior fiscal years	<u>3,712</u>	<u>3,476</u>
Total incurred claims and claim adjustment expenses	<u>5,026</u>	<u>3,824</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	882	874
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	<u>2,769</u>	<u>2,837</u>
Total payments	<u>3,651</u>	<u>3,711</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 15,515</u>	<u>\$ 14,140</u>

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Fund, reported as an internal service fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of fiscal year 2007, \$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, 2007 and the changes to the liability during fiscal years ended June 30, 2007 and 2006 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2007	FY2006	FY2007	FY2006
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 9,137	\$ 7,825	\$ 430	\$ 421
Incurred claims and claim adjustment expenses	80,562	74,603	3,881	2,140
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	70,574	65,466	3,541	1,710
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	9,137	7,825	430	421
Total payments	79,711	73,291	3,971	2,131
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 9,988	\$ 9,137	\$ 340	\$ 430

C. Public Entity Pool for Liability

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

All funds and agencies of the State participate in the PEPL Fund. The PEPL Fund allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund and agency based on the number of automobiles titled to each agency (for automobile liability) or approved full-time employees (for general tort liability). The PEPL Fund initially limited claims to \$1,000,000 per occurrence, subject to limitations set forth in SDCL 3-22. The State claimed sovereign immunity for all other tort liabilities. A State Supreme Court opinion allows noneconomic damages against employees of the State while they are performing ministerial acts; therefore, beginning in FY1996, the PEPL Fund coverage document was amended to provide liability coverage for noneconomic damages that are the result of these acts and commercial reinsurance was purchased. Excess of loss reinsurance was purchased for claims costs between \$100,000 and \$1,000,000. Beginning in FY2007, the excess of loss reinsurance amount was changed to claims costs over \$250,000, but not more than 75% of claim costs up to \$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 2007, \$7,995,000 of the retained earnings balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2007 and the changes to the liability during fiscal years ended June 30, 2007 and 2006 were as follows (expressed in thousands):

	<u>FY2007</u>	<u>FY2006</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 3,198	\$ 4,498
Incurring claims and claim adjustment expenses		
Provision for insured events of current fiscal year	149	521
Changes in provision for insured events of prior fiscal years	1,215	(652)
Total incurred claims and claim adjustment expenses	<u>1,364</u>	<u>(131)</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	193	146
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	891	1,023
Total payments	<u>1,084</u>	<u>1,169</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 3,478</u>	<u>\$ 3,198</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, 2007 (expressed in thousands):

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>Component Units</u>
2008	\$ 5,415	\$ 1,665
2009	4,695	1,012
2010	3,828	721
2011	3,430	703
2012	2,867	2,367
2013-2017	8,328	2,380
2018-2022	1,253	
2023-2027	271	
2028-2032	8	
Total Minimum Payments	<u>\$ 30,095</u>	<u>\$ 8,848</u>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2007 was \$12,937,327 for the primary government and \$2,186,453 for component units.

13. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2007 and changes to long-term liabilities during the fiscal year then ended are as follows (expressed in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue Bonds	\$ 339,002	\$ 31,805	\$ (44,499)	\$ 326,308	\$ 8,932
Less Unamortized Discount	(2,327)		92	(2,235)	(5)
Less Deferred Loss on Refunding	(179)	(1,350)	225	(1,304)	(253)
Add Unamortized Premium	480	1,180	(179)	1,481	208
Net Revenue Bonds	336,976	31,635	(44,361)	324,250	8,882
Trust Certificates	32,465		(2,735)	29,730	2,860
Compensated Absences	45,975	30,395	(28,558)	47,812	25,094
Policy Claims Liability	3,198	1,364	(1,084)	3,478	1,520
Workers Compensation	14,437	5,030	(3,696)	15,771	2,144
Capital Leases	30,925	3,341	(3,274)	30,992	4,650
Escheat Property	2,318	2,247	(2,236)	2,329	1,304
Total Governmental Activities	\$ 466,294	\$ 74,012	\$ (85,944)	\$ 454,362	\$ 46,454
Business-type Activities					
Revenue Bonds	\$ 101,330	\$	\$ (2,570)	\$ 98,760	\$ 4,320
Less Unamortized Discount	(113)		8	(105)	(9)
Less Deferred Loss on Refunding	(1,212)		167	(1,045)	(167)
Add Unamortized Premium	2,317		(129)	2,188	129
Net Revenue Bonds	102,322		(2,524)	99,798	4,273
Compensated Absences	978	662	(576)	1,064	559
Capital Leases	4		(4)	0	0
Total Business-type Activities	\$ 103,304	\$ 662	\$ (3,104)	\$ 100,862	\$ 4,832
Component Units					
Revenue Bonds	\$ 1,976,402	\$ 632,067	\$ (585,784)	\$ 2,022,685	\$ 241,055
Less Deferred Loss on Refunding	(4,098)		298	(3,800)	(135)
Add Unamortized Premium	16,957	12,388	(12,753)	16,592	218
Net Revenue Bonds	1,989,261	644,455	(598,239)	2,035,477	241,138
Trust Certificates	785		(240)	545	255
Compensated Absences	30,264	10,846	(9,536)	31,574	8,288
Capital Leases	2,358	1,066	(1,126)	2,298	1,022
Rural Development Loans	3,363	544	(133)	3,774	140
Federal Portion of Perkins Loan Program	34,656	332		34,988	
Other Liabilities	844		(27)	817	
Total Component Units	\$ 2,061,531	\$ 657,243	\$ (609,301)	\$ 2,109,473	\$ 250,843

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, 2007 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
1996A	2016	5.000%-5.950%	\$ 19,912
1996C	2014	5.100%-5.250%	2,011
1999	2019	4.500%-5.125%	1,079
2003	2015	2.500%-5.000%	983
2005B	2026	3.000%-5.000%	7,885
2006A	2026	Serial 4.250%-5.000%	9,573
2006A	2026	Term 5.000%	3,290
2006B	2013	4.000%-5.000%	24,650
2006C	2013	5.550%	1,205
2007	2032	4.250%-5.000%	5,950
Less Unamortized Discount			(59)
Add Unamortized Premium			1,474
Less Deferred Loss on Refunding			(1,304)
Total Bonds			76,649
Trust Certificate Series:			
1991A&B	2016	6.500%-6.750%	7,720
1993A&B	2017	6.375%-6.700%	22,010
Total Trust Certificates			29,730
Total			\$ 106,379

As of June 30, 2007, debt service requirements for principal and interest for the Building Authority were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2008	\$ 11,791	\$ 5,071	\$ 16,862
2009	11,126	4,474	15,600
2010	11,148	3,891	15,039
2011	11,037	3,303	14,340
2012	10,868	2,720	13,588
2013-2017	33,430	19,726	53,156
2018-2022	9,308	2,766	12,074
2023-2027	7,560	938	8,498
Total	\$ 106,268	\$ 42,889	\$ 149,157

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, 2007 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	\$ 120,229
2002B	2032	6.50%	129,540
Less Unamortized Discount			(2,167)
Total			<u><u>\$ 247,602</u></u>

As of June 30, 2007, 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
2008	\$	\$ 16,500	\$ 16,500
2009		16,499	16,499
2010		16,500	16,500
2011		16,499	16,499
2012	3,174	16,500	19,674
2013-2017	39,135	76,561	115,696
2018-2022	42,960	62,985	105,945
2023-2027	65,615	45,957	111,572
2028-2032	98,885	20,196	119,081
Total	<u><u>\$ 249,769</u></u>	<u><u>\$ 288,197</u></u>	<u><u>\$ 537,966</u></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. To date, the programs have been used to make loans and refinance existing debt with a maximum of twenty years for repayment. Loans for the DWSRF can be made for 30 years, if the funds are for a disadvantaged community.

The South Dakota Conservancy District bonds do not constitute a debt or liability of the State of South Dakota, or a pledge of the faith and credit of the State. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of \$3.4 million and \$2.6 million, respectively.

The following is a schedule of outstanding bonds as of June 30, 2007 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1996A	2017	5.63%	\$ 100
2001	2022	4.00%-5.00%	3,800
2004	2017	2.50%-5.25%	9,330
2005	2026	3.25%-5.00%	41,530
Less Unamortized Deferred Loss on Refunding			(1,045)
Less Unamortized Discount			(24)
Add Unamortized Premium			1,306
Total			54,997
Drinking Water State Revolving Fund			
1998A	2019	4.50%-5.00%	4,815
2001	2022	4.00%-5.00%	4,550
2004	2025	3.00%-5.25%	26,165
2005	2026	3.25%-5.00%	8,470
Less Unamortized Discount			(81)
Add Unamortized Premium			882
Total			44,801
Total Revenue Bonds			\$ 99,798

As of June 30, 2007, 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			
2008	\$ 2,635	\$ 2,345	\$ 4,980
2009	2,730	2,258	4,988
2010	2,820	2,162	4,982
2011	2,910	2,059	4,969
2012	3,010	1,947	4,957
2013-2017	13,535	8,014	21,549
2018-2022	12,735	5,107	17,842
2023-2027	14,385	1,815	16,200
Total	54,760	25,707	80,467
Drinking Water State Revolving Fund			
2008	1,685	2,028	3,713
2009	1,745	1,968	3,713
2010	1,815	1,902	3,717
2011	1,875	1,831	3,706
2012	1,950	1,753	3,703
2013-2017	11,120	7,387	18,507
2018-2022	12,945	4,393	17,338
2023-2027	10,865	1,170	12,035
Total	44,000	22,432	66,432
Total	\$ 98,760	\$ 48,139	\$ 146,899

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, 2007 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program			
	2008-2045	2.50%-8.50%	
Serial Bonds			\$ 307,160
Term Bonds			1,409,273
Add Unamortized Premium			13,336
Less Deferred Loss on Refunding			(1,226)
Total			<u>1,728,543</u>
Multifamily Housing Trust Funds			
	2007-2021	3.10%-5.15%	
Serial Bonds			17,620
Term Bonds			22,320
Less Deferred Loss on Refunding			(902)
Total			<u>39,038</u>
Multifamily Housing Revenue Bonds			
	2007-2034	3.60%-6.15%	
Serial Bonds			3,239
Term Bonds			21,835
Total			<u>25,074</u>
Multifamily Mortgage Pass-Through Term Bonds			
	2010-2017	3.75%-8.50%	<u>12,656</u>
Multifamily Risk Sharing Bonds			
	2008-2043	3.90%-5.85%	
Serial Bonds			265
Term Bonds			13,765
Total			<u>14,030</u>
Total Bonds			<u><u>\$ 1,819,341</u></u>

As of June 30, 2007, 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
2008	\$ 231,186	\$ 82,384	\$ 313,570
2009	33,069	72,974	106,043
2010	34,446	71,838	106,284
2011	37,653	70,310	107,963
2012	38,752	68,754	107,506
2013-2017	217,601	316,614	534,215
2018-2022	248,835	260,180	509,015
2023-2027	269,981	196,328	466,309
2028-2032	293,096	125,905	419,001
2033-2037	324,500	45,504	370,004
2038-2042	2,735	16,975	19,710
2043-2047	76,279	9,576	85,855
Total	<u>\$ 1,808,133</u>	<u>\$ 1,337,342</u>	<u>\$ 3,145,475</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, 2007 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2010	6.40%-6.50%	\$ 1,320

As of June 30, 2007, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2008	\$ 1,030	\$ 52	\$ 1,082
2009	260	10	270
2010	30	1	31
Total	\$ 1,320	\$ 63	\$ 1,383

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, 2007, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$2,094,375.

The following is a schedule of outstanding bonds as of June 30, 2007 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2018	5.50%	\$ 685
1998B	2009	7.00%	65
1999A	2009-2019	4.95%-5.50%	1,715
2003A	2013	4.25%-5.25%	1,690
2004A	2011-2029	4.375%-6.00%	4,680
2004B	2011-2024	4.375%-5.95%	3,220
2005A	2016-2026	5.25%-6.05%	4,700
Total			\$ 16,755

As of June 30, 2007, 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
2008	\$ 755	\$ 942	\$ 1,697
2009	785	906	1,691
2010	825	869	1,694
2011	870	829	1,699
2012	925	786	1,711
2013-2017	3,940	3,248	7,188
2018-2022	3,760	2,124	5,884
2023-2027	3,865	944	4,809
2028-2032	1,030	105	1,135
Total	\$ 16,755	\$ 10,753	\$ 27,508

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 2007 equaled \$8,642,889.

Following are revenue bonds outstanding at June 30, 2007 (expressed in thousands):

	<u>Amount</u>
School of Mines and Technology	
2003	\$ 7,430
University of South Dakota	
2003	14,780
2005	12,785
South Dakota State University	
2004	27,820
2005A	2,925
2006	7,745
Less Deferred Loss on Refunding	(658)
Add Unamortized Premium	1,111
Northern State University	
2004A	5,920
Less Deferred Loss on Refunding	(111)
Add Unamortized Premium	165
Dakota State University	
2004	3,035
Less Deferred Loss on Refunding	(53)
Add Unamortized Premium	113
Black Hills State University	
2004	4,620
2004A	3,200
2006	1,270
Less Deferred Loss on Refunding	(107)
Add Unamortized Premium	117
Total	<u><u>\$ 92,107</u></u>

As of June 30, 2007, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended				
June 30,	Principal	Interest	Total	
2008	\$ 3,345	\$ 3,967	\$ 7,312	
2009	3,450	3,868	7,318	
2010	3,535	3,763	7,298	
2011	3,660	3,647	7,307	
2012	3,780	3,520	7,300	
2013-2017	20,740	15,256	35,996	
2018-2022	25,965	10,084	36,049	
2023-2027	19,465	4,255	23,720	
2028-2032	7,095	883	7,978	
2033-2037	495	26	521	
Total	<u>\$ 91,530</u>	<u>\$ 49,269</u>	<u>\$ 140,799</u>	

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, 2007 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1996C	2014	4.100%-5.300%	\$ 984
1999	2019	4.500%-6.500%	1,371
2000	2024	4.500%-6.500%	810
2002	2026	4.400%-5.750%	4,470
2003	2015	2.500%-5.000%	11,307
2003A	2028	2.000%-5.000%	15,380
2005C	2023	Serial 3.500%-4.250%	13,960
2005C	2029	Term 4.500%	2,975
2006A	2021	Serial 4.250%-5.000%	2,532
2006A	2021	Term 5.000%	868
2007	2032	4.250%-5.000%	50,290
Less Deferred Loss on Refunding			(743)
Add Unamortized Premium			1,750
Total Revenue Bonds			<u>105,954</u>
Trust Certificates			
1991B	2013	6.500%-6.625%	<u>545</u>
Total			<u><u>\$ 106,499</u></u>

As of June 30, 2007, 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
2008	\$ 4,994	\$ 4,619	\$ 9,613
2009	5,219	4,498	9,717
2010	5,142	4,276	9,418
2011	5,355	4,041	9,396
2012	4,930	3,809	8,739
2013-2017	21,252	16,052	37,304
2018-2022	21,112	11,351	32,463
2023-2027	22,119	6,494	28,613
2028-2032	15,369	1,999	17,368
Total	<u>\$ 105,492</u>	<u>\$ 57,139</u>	<u>\$ 162,631</u>

Capital Leases

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

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

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2007 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government	
	Governmental Activities	Component Units
2008	\$ 6,028	\$ 1,099
2009	5,629	688
2010	4,352	382
2011	3,379	172
2012	2,539	119
2013-2017	8,734	
2018-2022	7,524	
2023-2027	2,743	
Total Minimum Lease Payments	40,928	2,460
Less: Amount Representing Interest	9,936	162
Present Value of Net Minimum Lease Payments	\$ 30,992	\$ 2,298

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, 2007 are as follows (expressed in thousands):

	Primary Government
	Governmental Activities
Buildings	\$ 32,114
Equipment	2,351
Vehicles	13,805
Total	48,270
Less Accumulated Depreciation	17,636
Total, Net	\$ 30,634

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, 2007, there were two hundred and fourteen Beginning Farmer Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2007 could not be determined; however, the original issue amount totaled \$26,148,269.

As of June 30, 2007, there were three Agribusiness Bonding Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2007 could not be determined; however, the original issue amount totaled \$1,245,000.

As of June 30, 2007, there were twelve Livestock Nutrient Management Bond Program series revenue bonds outstanding. The aggregate principal amount payable on June 30, 2007 could not be determined; however, the original issue amount totaled \$5,478,095.

As of June 30, 2007, there were twenty Agribusiness Relending Loans outstanding. The aggregate principal amount payable on June 30, 2007 could not be determined; however, the original issue amount totaled \$1,598,900.

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, 2007, the aggregate amount of stand-alone bond principal outstanding was \$18,610,000. The original issue amount of stand-alone bonds totaled \$24,125,000.

Refunded Bonds

The Building Authority has defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2007, \$16,530,000 of the Building Authority bonds outstanding is considered defeased.

On September 12, 2006 the Authority issued \$25,855,000 in Refunding and Revenue Bonds Series 2006B & C to refund a portion of the Series 1996A bonds. The refunding bonds, with an average coupon interest rate of 5.0 percent, were used to refund \$25,815,000 of outstanding Series 1996A bonds with an average coupon interest rate of 5.3 percent. The net proceeds of the refunding portion of \$26,715,307 (after payment of \$304,121 in underwriting fees, insurance, and other issuance costs) plus \$1,164,428 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portion of the Series 1996A bonds. As a result, the refunded portion of the Series 1996A bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,350,480. This difference is being charged to operations through fiscal year 2013 using the effective-interest method. The Authority completed the advanced refunding for a net economic gain of \$689,172. The difference between the cash flows of the refunded bonds and the refunding bonds is a \$737,800 reduction in debt service payments. The actual cash amount realized was \$252.

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 of June 30, 2007 as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation
Instruction	\$ 136,681	\$ 2,641	\$ 10,736	\$ 4,459	\$ 416		\$ 2,121
Research	32,203	2,108	9,629	6,104	4,899		2,783
Public Service	25,764	1,476	5,425	4,367	2,043	3	234
Academic Support	28,768	849	3,545	3,441	36		2,979
Student Services	19,476	4,202	5,878	3,622	435	331	601
Institutional Support	28,071	1,206	10,506	8,767	54	63	5,913
O&M of Plant	11,672	150	4,446	10,165		3	2,125
Scholarships and Fellowships	922	5	1	2	15,780	310	
Auxiliary Enterprises	10,650	75	18,069	13,063	15		1,836
Other Expenses	220	129	165	73		160	
Unallocated Depreciation							4,385
Total	\$ 294,427	\$ 12,841	\$ 68,400	\$ 54,063	\$ 23,678	\$ 870	\$ 22,977

15. FUND BALANCES AND NET ASSETS

Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports \$1.37 billion of restricted net assets for the primary government of which \$110.3 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Funds Held as Permanent Investments

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in special revenue funds for this purpose have their principal balance reserved in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide Statement of Net Assets the principal balance is shown as unexpendable and the investment earnings remaining in these funds at June 30, 2007 is shown as expendable. These balances at June 30, 2007 are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Dakota Cement Trust	\$ 43,584	\$ 238,000	\$ 281,584
Education Enhancement Trust	82,997	329,330	412,327
Health Care Trust	22,318	85,631	107,949
Permanent	943	30,009	30,952
Total	\$ 149,842	\$ 682,970	\$ 832,812

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2007 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 12,324
Special Revenue:	
Extraordinary Litigation Expense	\$ 433
Public Safety – Other	2,164
Fire Suppression	3,748
PUC Hearing	38
Revenue – Other	27
Law Enforcement Revolving	250

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 2007, the State provided \$17,899,000 in General Fund state aid payments to the technical institutes.

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

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

17. RELATED PARTY TRANSACTIONS

The South Dakota Health Research Foundation was created by the Sioux Valley (Sanford) 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 (Sanford) Physicians Partners, a subsidiary of Sioux Valley (Sanford) Health Care Systems, to secure specialized laboratory space, equipment, and related operating support services, including utilities, maintenance, and custodial services. The term of the lease 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.

As a part of the asset purchase agreement for the sale of the South Dakota Cement Plant, reported as a nonmajor special revenue fund, to GCC Dacotah Inc., a \$10,000,000 indemnification fund was established for the resolution of air quality issues. An environmental upgrade project was done and costs associated with the project were reviewed in an agreed-upon procedures examination by a certified public accounting firm. The chairman of the Cement Plant Commission who is also an employee at GCC Dacotah abstained from voting on the termination of the indemnification fund and resulting settlement.

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, 2007 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, 2007, PRCF was currently involved with 170 active cases, 130 active/monitoring cases, and 11 pending cases (spill report not yet filed), for a total of 311 cases. Contingent liabilities for the PRCF are \$4,200,000 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 that a fifteen month statute of limitations applies. The case was remanded from the South Dakota Supreme Court back to the Circuit Court for additional proceedings. The Circuit Court then remanded the matter to the South Dakota Department of Revenue and Regulation for additional administrative proceedings. On April 28, 2008, the Secretary of the Department of Revenue and Regulation entered an Amended Final Decision whereby Pourier's Motion for Leave to Amend Pleadings to be recognized as a class representative on behalf of all similarly situation persons was denied and the Department's Motion to Dismiss was denied. On May 23, 2008, Pourier filed a Notice of Appeal with the Sixth Judicial Circuit Court, Hughes County, appealing the Final Decision of the Department dated April 24, 2008. 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 general fund.

Yankton Sioux Tribe v. United States Army Corps of Engineers. In this case, pending since 2002, the Tribe is alleging that lands already transferred to the State of South Dakota under Title VI are invalid and should be set aside and any further transfers prohibited because the lands are within the existing boundaries of the Yankton Sioux Reservation. The probable worth of the lands and the improvements already transferred exceeds \$1,000,000. In March of 2008 the District Court granted Summary Judgment in favor of the State and Army Corps of Engineers. The Tribe has filed a Notice of Appeal in the 8th Circuit. No briefing schedule has been set at this time. Counsel for the State is of the opinion that the Tribe's appeal 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 in August 2004 seeking refund of insurance premium taxes. A bench trial was held concerning the constitutionality of the state's premium tax statutes in 2007. The trial court ruled that SDCL 10-44-2 and SDCL 10-44-4 through SDCL 10-44-6 are unconstitutionally invalid from and after premium tax year 1970. The State appealed the Circuit Court's decision to the Supreme Court. On March 26, 2008, the South Dakota Supreme Court filed an opinion reversing the trial court's decision. The Supreme Court found the State's premium tax structure from 1982 to present constitutional but declined to decide the constitutionality of the state's premium tax structure from 1970-1981 as not properly before the Court. Metropolitan Life has indicated that it intends to litigate its claims for refunds for taxes paid from 1970-1979 and those paid in 1980 that were denied by the Division and appealed to the Circuit Court. Counsel for the Department of Revenue and Regulation is vigorously defending this action. If the decision is unfavorable, it will have a material impact on the state's general fund.

Midwest Railcar v. South Dakota Department of Revenue and Regulation. Midwest Railcar has requested an administrative hearing concerning a Certificate of Assessment issued on January 31, 2007. Midwest Railcar also completed self-audit worksheets and is requesting a refund in the amount of \$1,052,096.10 along with any interest pursuant to SDCL 10-59-24. Midwest contends that the Railroad Revitalization and Regulatory Reform Act prohibits the Department from imposing use tax on it. The Department of Revenue and Regulation is vigorously defending this action. If the decision is unfavorable, it will have a material impact on the state's general fund.

Davis et al. v. State of South Dakota et al. In June of 2006, Plaintiffs sued the State, the Governor, the Department of Education, the Board of Education and the Treasurer, in Circuit Court, Hughes County, claiming that the education being provided to South Dakota students in public K-12 schools is inadequate and therefore violates the South Dakota Constitution. The lawsuit is based on an "adequacy study" paid for by various education groups which claims that public K-12 education in South Dakota is under funded by approximately \$100 million to \$400 million per year. The Attorney General's Office has represented the Defendants since the lawsuit was filed, and trial will occur in September and October of 2008. It is expected that a decision by the trial court will be rendered before July 1, 2009. However, the trial court has already ruled that she cannot order the Legislature to appropriate more money to education. Counsel for the State is vigorously defending this action. If the decision is unfavorable, it will have a material impact on the state's general fund.

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

Etchey v. Green. The PEPL Fund retained defense for four current or former employees of the South Dakota School for the Deaf (SDSD) against allegations that they negligently supervised a student at SDSD during the 2002-2003 school year and thereby allowed that student to sexually abuse three other SDSD students while living in dormitories on campus. Discovery is complete and pretrial motions have been heard and ruled upon. One significant pretrial ruling limited the amount of the PEPL Fund's exposure to \$1,000,000 per plaintiff. Plaintiffs argued that they were entitled to \$1 million in coverage for each alleged incident of sexual abuse, a claim that totaled approximately \$120 million. The trial court's ruling is subject to appeal by either party. The case is currently in trial and is scheduled to conclude on June 27, 2008. Counsel for the State is vigorously contesting the claim. If the decision is unfavorable and the plaintiffs are able to successfully appeal the total PEPL Fund exposure, it will have a material impact on the State.

19. SUBSEQUENT EVENTS

Housing Authority

In August of 2007, the Authority issued \$200,000,000 of Homeownership Mortgage Bonds Series 2007D, E and F. The Bonds will mature on May 1, 2008 through May 1, 2037 with interest rates from 3.8% to 5.75%.

In November of 2007, the Authority issued \$100,000,000 of Homeownership Mortgage Bonds Series 2007G, H and I. The Bonds will mature on May 1, 2009 through May 1, 2038 with interest rates of 3.70% to 5.50%.

In April of 2008, the Authority issued \$100,000,000 of Homeownership Mortgage Bonds Series 2008A, B and C. The Bonds will mature on May 1, 2009 through May 1, 2039 with interest rates of 2.60% to 5.75%.

Economic Development Finance Authority

On September 28, 2007 the Economic Development Finance Authority Board issued Economic Development Revenue Bonds in the amount of \$4,720,000 on a stand-alone basis to finance a project for Bergquist Company.

On November 21, 2007 the Economic Development Finance Authority Board authorized the issuance and sale of Economic Development Revenue Bonds in the amount of \$10,000,000 on a stand-alone basis to finance a project for Wilson Trailer Company.

On December 19, 2007 the Economic Development Finance Authority Board authorized the issuance and sale of pooled Economic Development Revenue Bonds in the amount of \$7,500,000 to finance a project for Neiman Enterprises.

Health and Educational Facilities Authority

On November 8, 2007 the Health and Educational Facilities Authority issued the Vocational Education Program Series 2007 bonds in the amount of \$8,805,000.

Science and Technology Authority

On December 31, 2007 the Authority received \$15,000,000 of the \$35,000,000 Sanford gift that will be used on the mine reentry and rehab project and establishing the interim lab at the 4,850 level of the Homestake Mine.

Higher Education

On December 19, 2007, Higher Education issued \$8,540,000 of Housing and Auxiliary Facilities System Revenue Bonds Series 2007 to renovate the student union at Black Hills State University and upgrade the residential facilities at Dakota State University.

On April 4, 2008, Higher Education issued \$4,770,000 of Housing and Auxiliary Facilities System Revenue Bonds Series 2008 to upgrade the residential facilities at Dakota State University.



REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Transportation Fund

Budgetary Comparison Schedule – Social Services Federal Fund

Budgetary Comparison Schedule Budget-to-GAAP Reconciliation

Notes to Required Supplementary Information – Budgetary Reporting

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT OF EXECUTIVE MANAGEMENT				
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,684	\$ 1,640	\$ 1,640	\$ 0
Operating Expenses	427	565	565	0
TOTAL	2,111	2,205	2,205	0
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	6	6	0
TOTAL	100	6	6	0
LIEUTENANT GOVERNOR				
Personal Services	18	18	18	0
Operating Expenses	14	14	14	0
TOTAL	32	32	32	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	582	544	544	0
Operating Expenses	252	290	290	0
TOTAL	834	834	834	0
SALE LEASEBACK, BFM				
Personal Services	0	0	0	0
Operating Expenses	9,779	9,779	9,779	0
TOTAL	9,779	9,779	9,779	0
SDDS SETTLEMENT				
Personal Services	0	0	0	0
Operating Expenses	11	11	0	11
TOTAL	11	11	0	11
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	734	734	658	76
TOTAL	734	734	658	76
SALE LEASEBACK, BOA				
Personal Services	0	0	0	0
Operating Expenses	716	716	713	3
TOTAL	716	716	713	3
CENTRAL SERVICES				
Personal Services	185	205	205	0
Operating Expenses	205	185	185	0
TOTAL	390	390	390	0
STATEWIDE MAINTENANCE AND REPAIR				
Personal Services	0	0	0	0
Operating Expenses	5,231	5,231	2,231	3,000
TOTAL	5,231	5,231	2,231	3,000
OFFICE OF HEARING EXAMINERS				
Personal Services	287	279	279	0
Operating Expenses	86	94	94	0
TOTAL	373	373	373	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	\$ 2,441	\$ 2,441	\$ 2,441	\$ 0
Operating Expenses	1,483	1,483	1,483	0
TOTAL	3,924	3,924	3,924	0
STATE RADIO ENGINEERING				
Personal Services	526	526	523	3
Operating Expenses	918	918	917	1
TOTAL	1,444	1,444	1,440	4
PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS				
Personal Services	178	178	178	0
Operating Expenses	68	68	68	0
TOTAL	246	246	246	0
SOUTH DAKOTA RISK POOL				
Personal Services	62	62	57	5
Operating Expenses	543	543	543	0
TOTAL	605	605	600	5
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	5,963	5,893	5,885	8
Operating Expenses	20,567	20,637	17,546	3,091
TOTAL	26,530	26,530	23,431	3,099
DEPARTMENT OF REVENUE AND REGULATION SECRETARIAT				
Personal Services	107	105	103	2
Operating Expenses	54	54	48	6
TOTAL	161	159	151	8
PROPERTY AND SPECIAL TAXES				
Personal Services	668	670	669	1
Operating Expenses	1,197	1,197	790	407
TOTAL	1,865	1,867	1,459	408
DEPARTMENT TOTAL, REVENUE AND REGULATION				
Personal Services	775	775	772	3
Operating Expenses	1,251	1,251	838	413
TOTAL	2,026	2,026	1,610	416
DEPARTMENT OF AGRICULTURE ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	435	510	510	0
Operating Expenses	231	231	231	0
TOTAL	666	741	741	0
AGRICULTURAL SERVICES AND ASSISTANCE				
Personal Services	1,244	1,224	1,224	0
Operating Expenses	1,002	1,697	1,697	0
TOTAL	2,246	2,921	2,921	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
AGRICULTURAL DEVELOPMENT AND PROMOTION				
Personal Services	\$ 792	\$ 752	\$ 752	\$ 0
Operating Expenses	420	405	405	0
TOTAL	1,212	1,157	1,157	0
ANIMAL INDUSTRY BOARD				
Personal Services	1,440	1,440	1,440	0
Operating Expenses	306	306	306	0
TOTAL	1,746	1,746	1,746	0
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	750	750	750	0
TOTAL	750	750	750	0
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	3,911	3,926	3,926	0
Operating Expenses	2,709	3,389	3,389	0
TOTAL	6,620	7,315	7,315	0
DEPARTMENT OF TOURISM AND STATE DEVELOPMENT				
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,529	1,473	1,473	0
Operating Expenses	1,844	1,928	1,928	0
TOTAL	3,373	3,401	3,401	0
DIVISION OF RESEARCH COMMERCE				
Personal Services	146	146	146	0
Operating Expenses	3,886	6,848	3,886	2,962
TOTAL	4,032	6,994	4,032	2,962
TRIBAL GOVERNMENT RELATIONS				
Personal Services	174	147	147	0
Operating Expenses	39	39	39	0
TOTAL	213	186	186	0
ARTS				
Personal Services	195	179	179	0
Operating Expenses	414	431	431	0
TOTAL	609	610	610	0
HISTORY				
Personal Services	1,151	1,061	1,061	0
Operating Expenses	1,585	1,674	1,674	0
TOTAL	2,736	2,735	2,735	0
SOUTH DAKOTA ENERGY INFRASTRUCTURE AUTHORITY				
Personal Services	46	46	28	18
Operating Expenses	194	194	120	74
TOTAL	240	240	148	92

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
DEPARTMENT TOTAL, TOURISM AND STATE DEVELOPMENT				
Personal Services	\$ 3,241	\$ 3,052	\$ 3,034	\$ 18
Operating Expenses	7,962	11,114	8,078	3,036
TOTAL	11,203	14,166	11,112	3,054
DEPARTMENT OF GAME, FISH, AND PARKS				
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	1,173	1,173	1,158	15
TOTAL	1,173	1,173	1,158	15
ADMINISTRATION, SECRETARY OF GAME, FISH, AND PARKS				
Personal Services	77	77	77	0
Operating Expenses	1,075	1,075	1,072	3
TOTAL	1,152	1,152	1,149	3
PARKS AND RECREATION				
Personal Services	2,793	2,793	2,793	0
Operating Expenses	450	450	450	0
TOTAL	3,243	3,243	3,243	0
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services	0	0	0	0
Operating Expenses	417	12,417	12,275	142
TOTAL	417	12,417	12,275	142
DEPARTMENT TOTAL, GAME, FISH AND PARKS				
Personal Services	2,870	2,870	2,870	0
Operating Expenses	3,115	15,115	14,955	160
TOTAL	5,985	17,985	17,825	160
DEPARTMENT OF SOCIAL SERVICES				
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	2,881	2,881	2,881	0
Operating Expenses	4,298	5,837	5,837	0
TOTAL	7,179	8,718	8,718	0
ECONOMIC ASSISTANCE				
Personal Services	6,135	6,135	6,135	0
Operating Expenses	16,378	20,623	17,791	2,832
Appropriation	3,048	3,048	2,197	851
TOTAL	25,561	29,806	26,123	3,683
MEDICAL AND ADULT SERVICES				
Personal Services	2,332	2,332	2,332	0
Operating Expenses	190,670	174,059	173,377	682
TOTAL	193,002	176,391	175,709	682

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
CHILDREN'S SERVICES				
Personal Services	\$ 5,228	\$ 5,363	\$ 5,363	\$ 0
Operating Expenses	15,344	26,036	26,036	0
TOTAL	20,572	31,399	31,399	0
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	16,576	16,711	16,711	0
Operating Expenses	226,690	226,555	223,041	3,514
Appropriation	3,048	3,048	2,197	851
TOTAL	246,314	246,314	241,949	4,365
DEPARTMENT OF HEALTH				
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	672	672	672	0
Operating Expenses	664	664	664	0
TOTAL	1,336	1,336	1,336	0
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	1,374	1,222	1,222	0
Operating Expenses	836	1,296	1,296	0
TOTAL	2,210	2,518	2,518	0
HEALTH AND MEDICAL SERVICES				
Personal Services	1,494	1,494	1,494	0
Operating Expenses	1,905	2,305	2,297	8
TOTAL	3,399	3,799	3,791	8
TOBACCO PREVENTION				
Personal Services	0	0	0	0
Operating Expenses	834	126	126	0
TOTAL	834	126	126	0
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,540	3,388	3,388	0
Operating Expenses	5,134	5,286	5,278	8
TOTAL	8,674	8,674	8,666	8
DEPARTMENT OF LABOR				
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	538	538	538	0
Operating Expenses	87	87	87	0
TOTAL	625	625	625	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, LABOR				
Personal Services	\$ 538	\$ 538	\$ 538	\$ 0
Operating Expenses	287	287	287	0
TOTAL	825	825	825	0
DEPARTMENT OF TRANSPORTATION				
GENERAL OPERATIONS				
Personal Services	261	271	271	0
Operating Expenses	240	231	231	0
TOTAL	501	502	502	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	261	271	271	0
Operating Expenses	240	231	231	0
TOTAL	501	502	502	0
DEPARTMENT OF EDUCATION				
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,094	1,113	1,113	0
Operating Expenses	8,958	9,315	9,315	0
TOTAL	10,052	10,428	10,428	0
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	290,039	285,735	285,735	0
TOTAL	290,039	285,735	285,735	0
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	45,586	45,189	45,189	0
TOTAL	45,586	45,189	45,189	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	79	79	0
TOTAL	90	79	79	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	5,238	7,010	7,010	0
TOTAL	5,238	7,010	7,010	0
CAREER AND TECHNICAL EDUCATION				
Personal Services	348	356	356	0
Operating Expenses	1,161	1,236	1,236	0
TOTAL	1,509	1,592	1,592	0
POSTSECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	18,723	18,723	18,723	0
TOTAL	18,723	18,723	18,723	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
NONRECURRING POSTSECONDARY FORMULA ALLOCATION				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	800	800	800	0
TOTAL	800	800	800	0
EDUCATION RESOURCES				
Personal Services	1,122	1,122	1,122	0
Operating Expenses	2,865	6,008	5,884	124
TOTAL	3,987	7,130	7,006	124
EDUCATION SERVICE AGENCIES				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
STATE LIBRARY				
Personal Services	1,168	1,023	1,023	0
Operating Expenses	1,155	995	995	0
TOTAL	2,323	2,018	2,018	0
DEPARTMENT TOTAL, EDUCATION				
Personal Services	3,732	3,614	3,614	0
Operating Expenses	375,565	376,040	375,916	124
TOTAL	379,297	379,654	379,530	124
DEPARTMENT OF PUBLIC SAFETY				
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	49	49	49	0
Operating Expenses	12	12	12	0
TOTAL	61	61	61	0
ENFORCEMENT				
Personal Services	1,581	1,508	1,508	0
Operating Expenses	147	104	98	6
TOTAL	1,728	1,612	1,606	6
EMERGENCY SERVICES				
Personal Services	985	977	977	0
Operating Expenses	2,898	2,867	2,867	0
TOTAL	3,883	3,844	3,844	0
EMERGENCY AND DISASTER FUND				
Personal Services	0	0	0	0
Operating Expenses	0	1,503	1,503	0
TOTAL	0	1,503	1,503	0
INSPECTION AND LICENSING				
Personal Services	47	47	46	1
Operating Expenses	470	625	614	11
TOTAL	517	672	660	12

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	\$ 2,662	\$ 2,581	\$ 2,580	\$ 1
Operating Expenses	3,527	5,111	5,094	17
TOTAL	6,189	7,692	7,674	18
BOARD OF REGENTS				
REGENTS SYSTEM OFFICE				
Personal Services	3,238	3,216	3,216	0
Operating Expenses	12,932	12,801	5,139	7,662
TOTAL	16,170	16,017	8,355	7,662
SOUTH DAKOTA OPPORTUNITY SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	2,648	3,219	3,219	0
TOTAL	2,648	3,219	3,219	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	29,335	28,515	28,515	0
Operating Expenses	1,477	2,472	2,472	0
TOTAL	30,812	30,987	30,987	0
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	16,524	13,550	13,550	0
Operating Expenses	2,806	5,836	5,836	0
TOTAL	19,330	19,386	19,386	0
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	39,119	37,909	37,909	0
Operating Expenses	3,118	4,511	4,511	0
TOTAL	42,237	42,420	42,420	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	7,501	7,265	7,265	0
Operating Expenses	395	651	651	0
TOTAL	7,896	7,916	7,916	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	9,476	8,858	8,858	0
Operating Expenses	505	1,153	1,149	4
TOTAL	9,981	10,011	10,007	4
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	11,978	11,794	11,794	0
Operating Expenses	1,185	1,439	1,439	0
TOTAL	13,163	13,233	13,233	0
NORTHERN STATE UNIVERSITY				
Personal Services	9,907	9,774	9,774	0
Operating Expenses	1,262	1,435	1,435	0
TOTAL	11,169	11,209	11,209	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
BLACK HILLS STATE UNIVERSITY				
Personal Services	\$ 7,184	\$ 7,192	\$ 7,192	\$ 0
Operating Expenses	644	697	693	4
TOTAL	7,828	7,889	7,885	4
DAKOTA STATE UNIVERSITY				
Personal Services	7,082	6,738	6,713	25
Operating Expenses	515	879	879	0
TOTAL	7,597	7,617	7,592	25
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,993	2,496	2,496	0
Operating Expenses	474	980	980	0
TOTAL	3,467	3,476	3,476	0
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,329	2,259	2,259	0
Operating Expenses	146	224	224	0
TOTAL	2,475	2,483	2,483	0
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	146,666	139,566	139,541	25
Operating Expenses	28,107	36,297	28,627	7,670
TOTAL	174,773	175,863	168,168	7,695
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS				
ADJUTANT GENERAL				
Personal Services	298	308	308	0
Operating Expenses	515	570	569	1
TOTAL	813	878	877	1
ARMY GUARD				
Personal Services	759	674	673	1
Operating Expenses	3,615	3,840	1,851	1,989
TOTAL	4,374	4,514	2,524	1,990
AIR GUARD				
Personal Services	145	141	141	0
Operating Expenses	189	186	186	0
TOTAL	334	327	327	0
VETERANS' BENEFITS AND SERVICES				
Personal Services	737	737	737	0
Operating Expenses	2,583	2,583	2,583	0
TOTAL	3,320	3,320	3,320	0
STATE VETERANS' HOME				
Personal Services	1,311	1,311	1,311	0
Operating Expenses	537	1,620	537	1,083
TOTAL	1,848	2,931	1,848	1,083

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
DEPARTMENT TOTAL, MILITARY AND VETERANS AFFAIRS				
Personal Services	\$ 3,250	\$ 3,171	\$ 3,170	\$ 1
Operating Expenses	7,439	8,799	5,726	3,073
TOTAL	10,689	11,970	8,896	3,074
DEPARTMENT OF CORRECTIONS				
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,799	1,729	1,729	0
Operating Expenses	15,395	14,501	14,499	2
TOTAL	17,194	16,230	16,228	2
MIKE DURFEE STATE PRISON				
Personal Services	8,045	7,812	7,812	0
Operating Expenses	3,633	4,067	4,067	0
TOTAL	11,678	11,879	11,879	0
STATE PENITENTIARY				
Personal Services	12,681	12,172	12,172	0
Operating Expenses	4,563	5,182	5,182	0
TOTAL	17,244	17,354	17,354	0
WOMEN'S PRISON				
Personal Services	2,098	2,040	2,040	0
Operating Expenses	850	908	907	1
TOTAL	2,948	2,948	2,947	1
COMMUNITY SERVICE				
Personal Services	2,481	2,838	2,838	0
Operating Expenses	1,235	1,545	1,544	1
TOTAL	3,716	4,383	4,382	1
PAROLE SERVICES				
Personal Services	2,613	2,526	2,526	0
Operating Expenses	880	970	969	1
TOTAL	3,493	3,496	3,495	1
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,288	2,168	2,168	0
Operating Expenses	8,183	8,554	8,547	7
TOTAL	10,471	10,722	10,715	7
YOUTH CHALLENGE CENTER/LIVING CENTER				
Personal Services	1,541	1,345	1,345	0
Operating Expenses	189	154	154	0
TOTAL	1,730	1,499	1,499	0
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,767	1,449	1,449	0
Operating Expenses	141	116	116	0
TOTAL	1,908	1,565	1,565	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	\$ 1,897	\$ 2,062	\$ 2,062	\$ 0
Operating Expenses	2,120	2,195	2,195	0
TOTAL	4,017	4,257	4,257	0
QUEST AND EXCEL				
Personal Services	155	235	235	0
Operating Expenses	135	122	122	0
TOTAL	290	357	357	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	37,365	36,376	36,376	0
Operating Expenses	37,324	38,314	38,302	12
TOTAL	74,689	74,690	74,678	12
DEPARTMENT OF HUMAN SERVICES				
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	667	618	618	0
Operating Expenses	304	304	304	0
TOTAL	971	922	922	0
DEVELOPMENTAL DISABILITIES				
Personal Services	510	394	394	0
Operating Expenses	31,620	32,005	32,005	0
TOTAL	32,130	32,399	32,399	0
SOUTH DAKOTA DEVELOPMENTAL CENTER--REDFIELD				
Personal Services	6,639	6,302	6,302	0
Operating Expenses	2,185	2,088	2,088	0
TOTAL	8,824	8,390	8,390	0
ALCOHOL AND DRUG ABUSE				
Personal Services	1,901	1,765	1,765	0
Operating Expenses	5,046	5,463	5,463	0
TOTAL	6,947	7,228	7,228	0
REHABILITATION SERVICES				
Personal Services	665	584	584	0
Operating Expenses	2,976	2,876	2,876	0
TOTAL	3,641	3,460	3,460	0
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	422	402	402	0
Operating Expenses	430	430	430	0
TOTAL	852	832	832	0
HUMAN SERVICES CENTER				
Personal Services	19,466	19,110	19,110	0
Operating Expenses	9,682	10,476	10,476	0
TOTAL	29,148	29,586	29,586	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
COMMUNITY MENTAL HEALTH				
Personal Services	\$ 843	\$ 636	\$ 636	\$ 0
Operating Expenses	12,731	12,635	12,635	0
TOTAL	13,574	13,271	13,271	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	31,113	29,811	29,811	0
Operating Expenses	64,974	66,277	66,277	0
TOTAL	96,087	96,088	96,088	0
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES				
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	1,749	1,749	1,749	0
Operating Expenses	448	448	448	0
TOTAL	2,197	2,197	2,197	0
ENVIRONMENTAL SERVICES				
Personal Services	3,155	3,105	3,105	0
Operating Expenses	862	912	912	0
TOTAL	4,017	4,017	4,017	0
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	4,904	4,854	4,854	0
Operating Expenses	1,310	1,360	1,360	0
TOTAL	6,214	6,214	6,214	0
PUBLIC UTILITIES COMMISSION				
PUBLIC UTILITIES COMMISSION				
Personal Services	504	504	500	4
Operating Expenses	83	83	66	17
TOTAL	587	587	566	21
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	504	504	500	4
Operating Expenses	83	83	66	17
TOTAL	587	587	566	21
UNIFIED JUDICIAL SYSTEM				
UNIFIED JUDICIAL SYSTEM				
Personal Services	26,758	26,758	26,208	550
Operating Expenses	3,818	3,818	3,795	23
TOTAL	30,576	30,576	30,003	573
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	26,758	26,758	26,208	550
Operating Expenses	3,818	3,818	3,795	23
TOTAL	30,576	30,576	30,003	573

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
LEGISLATURE				
LEGISLATIVE OPERATIONS				
Personal Services	\$ 2,501	\$ 2,501	\$ 2,501	\$ 0
Operating Expenses	1,986	1,986	1,986	0
Appropriation	187	187	0	187
TOTAL	4,674	4,674	4,487	187
LEGISLATIVE AUDIT				
Personal Services	2,401	2,401	2,256	145
Operating Expenses	417	417	373	44
Appropriation	0	0	0	0
TOTAL	2,818	2,818	2,629	189
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	4,902	4,902	4,757	145
Operating Expenses	2,403	2,403	2,359	44
Appropriation	187	187	0	187
TOTAL	7,492	7,492	7,116	376
ATTORNEY GENERAL				
LEGAL SERVICES				
Personal Services	3,692	3,767	3,766	1
Operating Expenses	919	844	844	0
TOTAL	4,611	4,611	4,610	1
CRIMINAL INVESTIGATION				
Personal Services	2,263	2,263	2,262	1
Operating Expenses	1,765	1,765	1,765	0
TOTAL	4,028	4,028	4,027	1
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	384	384	384	0
TOTAL	384	384	384	0
CALLABLE BONDS				
Personal Services	0	0	0	0
Operating Expenses	4,563	4,563	4,563	0
TOTAL	4,563	4,563	4,563	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	5,955	6,030	6,028	2
Operating Expenses	7,631	7,556	7,556	0
TOTAL	13,586	13,586	13,584	2
SCHOOL AND PUBLIC LANDS				
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	408	435	428	7
Operating Expenses	116	116	109	7
TOTAL	524	551	537	14

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	\$ 408	\$ 435	\$ 428	\$ 7
Operating Expenses	116	116	109	7
TOTAL	524	551	537	14
SECRETARY OF STATE				
SECRETARY OF STATE				
Personal Services	635	635	627	8
Operating Expenses	313	313	309	4
TOTAL	948	948	936	12
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	635	635	627	8
Operating Expenses	313	313	309	4
TOTAL	948	948	936	12
STATE TREASURER				
TREASURY MANAGEMENT				
Personal Services	308	313	313	0
Operating Expenses	179	174	173	1
TOTAL	487	487	486	1
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	308	313	313	0
Operating Expenses	179	174	173	1
TOTAL	487	487	486	1
STATE AUDITOR				
STATE AUDITOR				
Personal Services	974	977	977	0
Operating Expenses	166	162	159	3
TOTAL	1,140	1,139	1,136	3
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	974	977	977	0
Operating Expenses	166	162	159	3
TOTAL	1,140	1,139	1,136	3
STATE TOTAL				
Personal Services	307,811	297,951	297,179	772
Operating Expenses	800,910	830,688	809,471	21,217
Appropriation	3,235	3,235	2,197	1,038
TOTAL	\$ 1,111,956	\$ 1,131,874	\$ 1,108,847	\$ 23,027

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL OPERATIONS				
Personal Services	\$ 53,576	\$ 53,576	\$ 50,561	\$ 3,015
Operating Expenses	96,247	96,247	91,108	5,139
TOTAL	<u>149,823</u>	<u>149,823</u>	<u>141,669</u>	<u>8,154</u>
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	320,408	361,516	349,467	12,049
TOTAL	<u>320,408</u>	<u>361,516</u>	<u>349,467</u>	<u>12,049</u>
ENFORCEMENT				
Personal Services	13,293	13,042	12,723	319
Operating Expenses	4,747	4,997	4,992	5
TOTAL	<u>18,040</u>	<u>18,039</u>	<u>17,715</u>	<u>324</u>
FUND TOTAL, TRANSPORTATION				
Personal Services	66,869	66,618	63,284	3,334
Operating Expenses	421,402	462,760	445,567	17,193
TOTAL	<u>\$ 488,271</u>	<u>\$ 529,378</u>	<u>\$ 508,851</u>	<u>\$ 20,527</u>

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL FUND
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Department	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	\$ 3,912	\$ 3,912	\$ 3,900	\$ 12
Operating Expenses	16,038	16,038	6,714	9,324
TOTAL	19,950	19,950	10,614	9,336
ECONOMIC ASSISTANCE				
Personal Services	8,070	8,070	7,654	416
Operating Expenses	33,914	33,914	28,315	5,599
TOTAL	41,984	41,984	35,969	6,015
MEDICAL AND ADULT SERVICES				
Personal Services	4,111	4,111	3,743	368
Operating Expenses	367,317	367,317	333,579	33,738
TOTAL	371,428	371,428	337,322	34,106
CHILDREN'S SERVICES				
Personal Services	10,843	10,843	10,332	511
Operating Expenses	43,700	43,700	34,236	9,464
TOTAL	54,543	54,543	44,568	9,975
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	26,936	26,936	25,629	1,307
Operating Expenses	460,969	460,969	402,844	58,125
TOTAL	\$ 487,905	\$ 487,905	\$ 428,473	\$ 59,432

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2007
(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	\$1,108,847	\$508,851	\$428,473
Differences-budget to GAAP:			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(18,569)	(3,650)	(4,566)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(14,514)		
To Adjust Expenditures/Expenses for Accruals	<u>16,333</u>	<u>(1,446)</u>	<u>75,729</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$1,092,097</u></u>	<u><u>\$503,755</u></u>	<u><u>\$499,636</u></u>

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. There are currently two major special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. The Budget Comparison Schedule follows the same format, terminology, and classification as the state's General Appropriations Act (General Bill). Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an over expended budget. For the year ended June 30, 2007, there were no over-expenditures by any State departments.

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

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2007 has also been included as Required Supplementary Information.



COMBINING FINANCIAL STATEMENTS

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

Combining Balance Sheet – Nonmajor Governmental Funds – By Type

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

Combining Balance Sheet – Nonmajor Special Revenue Funds

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

Combining Balance Sheet – Nonmajor Debt Service Funds

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

Combining Statement of Net Assets – Nonmajor Enterprise Funds

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

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

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

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

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

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

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

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Combining Statement of Net Assets – Nonmajor Component Units

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

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2007
(Expressed in Thousands)

Assets	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Cash and Cash Equivalents	\$ 350,597	\$ 139	\$ 9,232	\$ 391	\$ 360,359
Investments	99,019	85,339		30,176	214,534
Securities Lending Collateral	56,854		1,718	6,563	65,135
Receivables From:					
Taxes (Net)	5,504				5,504
Interest and Dividends	2,966	99	89	134	3,288
Other Funds	12,608				12,608
Component Units	158				158
Other Governments	64,489				64,489
Loans and Notes (Net)	37,850			1	37,851
Other (Net)	4,697	13,954		304	18,955
Inventory	4,849				4,849
Deferred Fiscal Charges and Other Assets	684	9			693
Total Assets	\$ 640,275	\$ 99,540	\$ 11,039	\$ 37,569	\$ 788,423
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 32,825	\$ 8	\$ 1,892	\$	\$ 34,725
Payable To:					
Other Funds	34,138		345	39	34,522
Component Units	1,160			15	1,175
Other Governments	43,768				43,768
Claims, Judgments and Compensated Absences	97				97
Deferred Revenue	37,179	13,954			51,133
Securities Lending Collateral Liability	56,854		1,718	6,563	65,135
Total Liabilities	206,021	13,962	3,955	6,617	230,555
Fund Balances:					
Reserved For:					
Encumbrances	17,357				17,357
Inventories	4,849				4,849
Debt Service		85,578			85,578
School Perpetuity				30,952	30,952
Noncurrent Assets	36,808				36,808
Funds held as Permanent Investments	85,631				85,631
Unreserved	289,609		7,084		296,693
Total Fund Balances	434,254	85,578	7,084	30,952	557,868
Total Liabilities and Fund Balances	\$ 640,275	\$ 99,540	\$ 11,039	\$ 37,569	\$ 788,423

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, 2007
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes	\$ 97,117	\$	\$	\$	\$ 97,117
Licenses, Permits and Fees	156,717				156,717
Fines, Forfeits and Penalties	8,044				8,044
Use of Money and Property	30,200	1,412	438	5,552	37,602
Sales and Services	24,518				24,518
Administering Programs	429,036				429,036
Tobacco Settlement		21,369			21,369
Other Revenue	10,981	82			11,063
Total Revenue	<u>756,613</u>	<u>22,863</u>	<u>438</u>	<u>5,552</u>	<u>785,466</u>
Expenditures:					
Current:					
General Government	44,777	465	51	1,592	46,885
Education	148,703				148,703
Health, Human and Social Services	194,925				194,925
Law, Justice, Public Protection and Regulation	87,123				87,123
Agriculture and Natural Resources	108,044				108,044
Economic Resources	28,780				28,780
Transportation	5,754				5,754
State Shared Revenue Paid to Other Governments	68,966				68,966
Capital Outlay			8,982		8,982
Debt Service:					
Principal		21,419			21,419
Interest		21,832			21,832
Total Expenditures	<u>687,072</u>	<u>43,716</u>	<u>9,033</u>	<u>1,592</u>	<u>741,413</u>
Excess of Revenue Over (Under) Expenditures	69,541	(20,853)	(8,595)	3,960	44,053
Other Financing Sources (Uses):					
Bonds Issued			5,950		5,950
Proceeds of Refunding Bonds		25,855			25,855
Payments on Advance Refundings		(26,715)			(26,715)
Premiums on Bond Issuance			15		15
Premiums on Refunding Bonds		1,165			1,165
Proceeds from Sale of Capital Assets	852				852
Transfers In	142,035	14,830			156,865
Transfers Out	(201,310)	(476)	(354)	(409)	(202,549)
Total Other Financing Sources (Uses)	<u>(58,423)</u>	<u>14,659</u>	<u>5,611</u>	<u>(409)</u>	<u>(38,562)</u>
Net Change in Fund Balances	11,118	(6,194)	(2,984)	3,551	5,491
Fund Balances at Beginning of Year	423,136	91,772	10,068	27,401	552,377
Fund Balances at End of Year	<u>\$ 434,254</u>	<u>\$ 85,578</u>	<u>\$ 7,084</u>	<u>\$ 30,952</u>	<u>\$ 557,868</u>

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Assets					
Cash and Cash Equivalents	\$ 4	\$	\$ 114	\$	\$
Investments					
Securities Lending Collateral	1		20		
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds	578	787	291	58	
Component Units					
Other Governments	20,263	11,256	1,351	1,556	1,247
Loans and Notes (Net)					
Other (Net)			10		
Inventory		275	89	3,717	
Deferred Fiscal Charges and Other Assets			7		7
Total Assets	<u>\$ 20,846</u>	<u>\$ 12,318</u>	<u>\$ 1,882</u>	<u>\$ 5,331</u>	<u>\$ 1,254</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 3,167	\$ 8,637	\$ 1,333	\$ 1,209	\$ 25
Payable To:					
Other Funds	340	2,853	271	341	230
Component Units	417	28			
Other Governments	16,423	20		64	992
Claims, Judgments and Compensated Absences	2	12	42	1	
Deferred Revenue	361	492			
Securities Lending Collateral Liability	1		20		
Total Liabilities	<u>20,711</u>	<u>12,042</u>	<u>1,666</u>	<u>1,615</u>	<u>1,247</u>
Fund Balances:					
Reserved For:					
Encumbrances	2,964	832	59	316	3,209
Inventories		275	89	3,717	
Noncurrent Assets					
Funds held as Permanent Investments					
Unreserved	(2,829)	(831)	68	(317)	(3,202)
Total Fund Balances	<u>135</u>	<u>276</u>	<u>216</u>	<u>3,716</u>	<u>7</u>
Total Liabilities and Fund Balances	<u>\$ 20,846</u>	<u>\$ 12,318</u>	<u>\$ 1,882</u>	<u>\$ 5,331</u>	<u>\$ 1,254</u>

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$ 6,814	\$ 18,902	\$ 19,755	\$ 416	\$ 2,389	\$ 7,999
		1,184	3,266	3,396	76	393	147
		90	208	61	45		645
21		194	18	164	386	19	19
7,984	2,513	2,165		154		179	
			1,115	1		110	
						696	
<u>\$ 8,005</u>	<u>\$ 2,513</u>	<u>\$ 10,447</u>	<u>\$ 23,509</u>	<u>\$ 23,531</u>	<u>\$ 923</u>	<u>\$ 3,786</u>	<u>\$ 8,810</u>
\$ 434	\$ 491	\$ 507	\$ 1,126	\$ 1,128	\$ 112	\$ 200	\$ 58
1,193	1,602	149	1,021	12,385	27	481	538
6,378	414	349	21				
		13	4				668
	1		4	13		2	
		7,908					7,189
		1,184	3,266	3,396	76	393	147
<u>8,005</u>	<u>2,508</u>	<u>10,110</u>	<u>5,442</u>	<u>16,922</u>	<u>215</u>	<u>1,076</u>	<u>8,600</u>
135	536	241	251	535	1	18	
						696	
(135)	(531)	96	17,816	6,074	707	1,996	210
0	5	337	18,067	6,609	708	2,710	210
<u>\$ 8,005</u>	<u>\$ 2,513</u>	<u>\$ 10,447</u>	<u>\$ 23,509</u>	<u>\$ 23,531</u>	<u>\$ 923</u>	<u>\$ 3,786</u>	<u>\$ 8,810</u>

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2007
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Assets						
Cash and Cash Equivalents	\$ 11,281	\$ 431	\$ 18,392	\$ 89,276	\$ 6,068	\$ 5,334
Investments						
Securities Lending Collateral	1,971	75	3,192	15,395	1,054	1,013
Receivables From:						
Taxes (Net)	250			495	149	
Interest and Dividends	34	6	203		73	34
Other Funds	7			4,261		174
Component Units						
Other Governments	6,010	157				
Loans and Notes (Net)						
Other (Net)	33					
Inventory						
Deferred Fiscal Charges and Other Assets	35					6
Total Assets	<u>\$ 19,621</u>	<u>\$ 669</u>	<u>\$ 21,787</u>	<u>\$ 109,427</u>	<u>\$ 7,344</u>	<u>\$ 6,561</u>
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	\$ 412	\$ 487	\$ 238	\$	\$ 78	\$
Payable To:						
Other Funds	349	134			8	16
Component Units			330			
Other Governments	14,523		884			
Claims, Judgments and Compensated Absences						
Deferred Revenue						
Securities Lending Collateral Liability	1,971	75	3,192	15,395	1,054	1,013
Total Liabilities	<u>17,255</u>	<u>696</u>	<u>4,644</u>	<u>15,395</u>	<u>1,140</u>	<u>1,029</u>
Fund Balances:						
Reserved For:						
Encumbrances	217	415				
Inventories						
Noncurrent Assets						
Funds held as Permanent Investments						
Unreserved	2,149	(442)	17,143	94,032	6,204	5,532
Total Fund Balances	<u>2,366</u>	<u>(27)</u>	<u>17,143</u>	<u>94,032</u>	<u>6,204</u>	<u>5,532</u>
Total Liabilities and Fund Balances	<u>\$ 19,621</u>	<u>\$ 669</u>	<u>\$ 21,787</u>	<u>\$ 109,427</u>	<u>\$ 7,344</u>	<u>\$ 6,561</u>

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
\$ 11,058	\$ 9,169	\$ 1,623	\$ 13,314	\$ 17,534	\$ 110,724	\$ 350,597
			96,677		2,342	99,019
1,857	1,592	280		3,048	18,894	56,854
468					3,497	5,504
150	114	27	514	479	909	2,966
727	555				4,368	12,608
	129				29	158
107					9,547	64,489
25,857				11,820	173	37,850
			1,100		2,328	4,697
					72	4,849
		8			621	684
<u>\$ 40,224</u>	<u>\$ 11,559</u>	<u>\$ 1,938</u>	<u>\$ 111,605</u>	<u>\$ 32,881</u>	<u>\$ 153,504</u>	<u>\$ 640,275</u>
\$ 3,200	\$ 2	\$ 4	\$	\$	\$ 9,977	\$ 32,825
	1		3,656		8,543	34,138
					15	1,160
459					2,926	43,768
					20	97
					21,229	37,179
1,857	1,592	280		3,048	18,894	56,854
<u>5,516</u>	<u>1,595</u>	<u>284</u>	<u>3,656</u>	<u>3,048</u>	<u>61,604</u>	<u>206,021</u>
1,670					5,958	17,357
					72	4,849
25,457	490			10,413	448	36,808
			85,631			85,631
7,581	9,474	1,654	22,318	19,420	85,422	289,609
<u>34,708</u>	<u>9,964</u>	<u>1,654</u>	<u>107,949</u>	<u>29,833</u>	<u>91,900</u>	<u>434,254</u>
<u>\$ 40,224</u>	<u>\$ 11,559</u>	<u>\$ 1,938</u>	<u>\$ 111,605</u>	<u>\$ 32,881</u>	<u>\$ 153,504</u>	<u>\$ 640,275</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, 2007
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Revenue:					
Taxes	\$	\$	\$ 385	\$	\$
Licenses, Permits and Fees				29	
Fines, Forfeits and Penalties					
Use of Money and Property			5		
Sales and Services					
Administering Programs	142,642	114,061	24,630	35,867	8,515
Other Revenue	8	17	25	14	
Total Revenue	<u>142,650</u>	<u>114,078</u>	<u>25,045</u>	<u>35,910</u>	<u>8,515</u>
Expenditures:					
General Government					
Education	142,854				
Health, Human and Social Services		113,826	26,471	34,819	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					8,508
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	<u>142,854</u>	<u>113,826</u>	<u>26,471</u>	<u>34,819</u>	<u>8,508</u>
Excess of Revenue Over (Under) Expenditures	(204)	252	(1,426)	1,091	7
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets					
Transfers In		69	1,460	4	
Transfers Out		(382)		(2)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>(313)</u>	<u>1,460</u>	<u>2</u>	<u>0</u>
Net Change in Fund Balances	(204)	(61)	34	1,093	7
Fund Balances at Beginning of Year	<u>339</u>	<u>337</u>	<u>182</u>	<u>2,623</u>	
Fund Balances at End of Year	<u>\$ 135</u>	<u>\$ 276</u>	<u>\$ 216</u>	<u>\$ 3,716</u>	<u>\$ 7</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
\$	\$	\$	\$	\$	\$	\$	\$
			28,172	1,487 8,676	17,052 16,389 226	1 6,843	7,724 7,459
		505	1,203	1,536	223		104
			317	474	10		
22,994	9,675	10,216	35	302			
41			31	13	31	148	
23,035	9,675	10,721	29,758	12,488	33,931	6,992	15,287
						6,812	
23,027					2,248		1,316
	9,773	10,149	23,130	12,674			
							8,537
23,027	9,773	10,149	23,130	12,674	2,248	6,812	9,853
8	(98)	572	6,628	(186)	31,683	180	5,434
			262	43			
24	32	188	293	572		2	
(33)	(1)	(423)	(5,443)	(761)	(31,241)	(421)	(5,416)
(9)	31	(235)	(4,888)	(146)	(31,241)	(419)	(5,416)
(1)	(67)	337	1,740	(332)	442	(239)	18
1	72		16,327	6,941	266	2,949	192
\$ 0	\$ 5	\$ 337	\$ 18,067	\$ 6,609	\$ 708	\$ 2,710	\$ 210

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, 2007
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	\$ 2,761	\$ 8,320	\$ 8,945	\$ 5,937	\$ 1,626	\$
Licenses, Permits and Fees	66,805	2,029				
Fines, Forfeits and Penalties						
Use of Money and Property	170	58	1,036		376	153
Sales and Services	2,185					694
Administering Programs						
Other Revenue	6		200		9	7
Total Revenue	<u>71,927</u>	<u>10,407</u>	<u>10,181</u>	<u>5,937</u>	<u>2,011</u>	<u>854</u>
Expenditures:						
General Government	7,391	9,277				57
Education						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	3,800					
Agriculture and Natural Resources					1,736	
Economic Resources			8,720			
Transportation						
State Shared Revenue Paid to Other Governments	60,429					
Total Expenditures	<u>71,620</u>	<u>9,277</u>	<u>8,720</u>	<u>0</u>	<u>1,736</u>	<u>57</u>
Excess of Revenue Over (Under) Expenditures	307	1,130	1,461	5,937	275	797
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets						
Transfers In				114,140		538
Transfers Out	(322)	(702)		(125,179)		
Total Other Financing Sources (Uses)	<u>(322)</u>	<u>(702)</u>	<u>0</u>	<u>(11,039)</u>	<u>0</u>	<u>538</u>
Net Change in Fund Balances	(15)	428	1,461	(5,102)	275	1,335
Fund Balances at Beginning of Year	<u>2,381</u>	<u>(455)</u>	<u>15,682</u>	<u>99,134</u>	<u>5,929</u>	<u>4,197</u>
Fund Balances at End of Year	<u>\$ 2,366</u>	<u>\$ (27)</u>	<u>\$ 17,143</u>	<u>\$ 94,032</u>	<u>\$ 6,204</u>	<u>\$ 5,532</u>

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
\$ 5,300	\$	\$	\$	\$	\$ 37,579	\$ 97,117
1,629				172	18,514	156,717
					7,818	8,044
857	598	373	13,783	1,818	7,402	30,200
	51				20,787	24,518
	123				59,976	429,036
	172				10,259	10,981
7,786	944	373	13,783	1,990	162,335	756,613
		4,923	134		22,995	44,777
					5,849	148,703
					12,997	194,925
11,406					56,732	87,123
	305				39,176	108,044
					11,247	28,780
				558	5,196	5,754
						68,966
11,406	305	4,923	134	558	154,192	687,072
(3,620)	639	(4,550)	13,649	1,432	8,143	69,541
				507	40	852
3,543			3,963	186	17,021	142,035
(400)		(6,000)	(3,656)		(20,928)	(201,310)
3,143	0	(6,000)	307	693	(3,867)	(58,423)
(477)	639	(10,550)	13,956	2,125	4,276	11,118
35,185	9,325	12,204	93,993	27,708	87,624	423,136
\$ 34,708	\$ 9,964	\$ 1,654	\$ 107,949	\$ 29,833	\$ 91,900	\$ 434,254

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2007
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$	\$ 139	\$ 139
Investments	51,581	33,758	85,339
Receivables From:			
Interest and Dividends		99	99
Other (net)		13,954	13,954
Deferred Fiscal Charges and Other Assets		9	9
Total Assets	<u>\$ 51,581</u>	<u>\$ 47,959</u>	<u>\$ 99,540</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	\$	\$ 8	\$ 8
Deferred Revenue		13,954	13,954
Total Liabilities	<u>0</u>	<u>13,962</u>	<u>13,962</u>
Fund Balances:			
Reserved For:			
Debt Service	51,581	33,997	85,578
Total Fund Balances	<u>51,581</u>	<u>33,997</u>	<u>85,578</u>
Total Liabilities and Fund Balances	<u>\$ 51,581</u>	<u>\$ 47,959</u>	<u>\$ 99,540</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, 2007
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	\$ 11	\$ 1,401	\$ 1,412
Tobacco Settlement		21,369	21,369
Other Revenue	82		82
Total Revenue	<u>93</u>	<u>22,770</u>	<u>22,863</u>
Expenditures:			
Current:			
General Government	307	158	465
Debt Service:			
Principal	15,979	5,440	21,419
Interest	4,991	16,841	21,832
Total Expenditures	<u>21,277</u>	<u>22,439</u>	<u>43,716</u>
Excess of Revenue Over (Under) Expenditures	(21,184)	331	(20,853)
Other Financing Sources (Uses):			
Proceeds of Refunding Bonds	25,855		25,855
Payments on Advance Refundings	(26,715)		(26,715)
Premiums on Refunding Bonds	1,165		1,165
Transfers In	14,830		14,830
Transfers Out	(476)		(476)
Total Other Financing Sources (Uses)	<u>14,659</u>	<u>0</u>	<u>14,659</u>
Net Change in Fund Balances	(6,525)	331	(6,194)
Fund Balances at Beginning of Year	58,106	33,666	91,772
Fund Balances at End of Year	<u>\$ 51,581</u>	<u>\$ 33,997</u>	<u>\$ 85,578</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2007
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 39,880	\$ 20,376	\$ 598	\$ 380	\$ 153
Receivables:					
Interest and Dividends	579		16	2	4
Other Funds		58		18	26
Component Units					
Other Governments		193			27
Loans and Notes (Net)	7,196				
Other (Net)	6	746		13	230
Inventory					675
Securities Lending Collateral	6,888		105	58	27
Deferred Fiscal Charges and Other Assets					
Total Current Assets	54,549	21,373	719	471	1,142
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment				3,272	559
Accumulated Depreciation				(2,750)	(336)
Total Capital Assets	0	0	0	714	326
Other Noncurrent Assets	34,486				
Total Assets	89,035	21,373	719	1,185	1,468
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	91		1	82	68
Payable To:					
Other Funds	3	21		13	3
Claims, Judgments and Compensated Absences	21		390	11	36
Deferred Revenue				289	1
Securities Lending Collateral Liability	6,888		105	58	27
Total Current Liabilities	7,003	21	496	453	135
Noncurrent Liabilities:					
Claims, Judgments and Compensated Absences	19		1	10	32
Total Liabilities	7,022	21	497	463	167
Net Assets					
Invested In Capital Assets, Net of Related Debt				714	326
Unrestricted	82,013	21,352	222	8	975
Total Net Assets	\$ 82,013	\$ 21,352	\$ 222	\$ 722	\$ 1,301

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>Health Insurance Risk Pool</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 5,310	\$ 2,669	\$ 7,034	\$ 6,592	\$ 1,368	\$ 2,310	\$ 86,670
93	26	76	75	17	21	909
	121					223
	26					26
					10	230
739						7,935
	114				4	1,113
	893				75	1,643
922	463	1,221	1,141	238	385	11,448
	25				62	87
<u>7,064</u>	<u>4,337</u>	<u>8,331</u>	<u>7,808</u>	<u>1,623</u>	<u>2,867</u>	<u>110,284</u>
						295
5	2,490		23	7	793	7,149
(4)	(1,094)		(21)	(7)	(422)	(4,634)
<u>1</u>	<u>1,396</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>371</u>	<u>2,810</u>
<u>2,284</u>						<u>36,770</u>
<u>9,349</u>	<u>5,733</u>	<u>8,331</u>	<u>7,810</u>	<u>1,623</u>	<u>3,238</u>	<u>149,864</u>
35	118	55	222	144	27	843
8	33		50	11	23	165
19	62	1,121	150	85	13	1,908
	112	807	741		5	1,955
922	463	1,221	1,141	238	385	11,448
<u>984</u>	<u>788</u>	<u>3,204</u>	<u>2,304</u>	<u>478</u>	<u>453</u>	<u>16,319</u>
17	56	2	135	77	12	361
<u>1,001</u>	<u>844</u>	<u>3,206</u>	<u>2,439</u>	<u>555</u>	<u>465</u>	<u>16,680</u>
1	1,396		2		371	2,810
8,347	3,493	5,125	5,369	1,068	2,402	130,374
<u>\$ 8,348</u>	<u>\$ 4,889</u>	<u>\$ 5,125</u>	<u>\$ 5,371</u>	<u>\$ 1,068</u>	<u>\$ 2,773</u>	<u>\$ 133,184</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, 2007
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits and Fees	\$	\$	\$	\$	\$
Use of Money and Property	1,054			312	
Sales and Services				984	3,482
Administering Programs				8	
Assessments		24,560	5,312		
Other Revenue	87		57	114	1
Total Operating Revenue	<u>1,141</u>	<u>24,560</u>	<u>5,369</u>	<u>1,418</u>	<u>3,483</u>
Operating Expenses:					
Personal Services and Benefits	354		21	714	513
Travel	22			8	11
Contractual Services	207		1	1,205	1,031
Supplies and Materials	15			271	2,058
Other	590			34	
Depreciation/Amortization				36	25
Insurance Claims		23,974	4,326		
Total Operating Expenses	<u>1,188</u>	<u>23,974</u>	<u>4,348</u>	<u>2,268</u>	<u>3,638</u>
Operating Income (Loss)	(47)	586	1,021	(850)	(155)
Nonoperating Revenue (Expenses):					
Interest Income	2,661	1,118	79	13	20
Other Expense	(416)		(13)	(2)	(3)
Grant and Other Income	197				
Total Nonoperating Revenue (Expenses)	<u>2,442</u>	<u>1,118</u>	<u>66</u>	<u>11</u>	<u>17</u>
Income (Loss) Before Transfers	2,395	1,704	1,087	(839)	(138)
Transfers:					
Transfers In				743	
Transfers Out		(228)			
Net Transfers In (Out)	<u>0</u>	<u>(228)</u>	<u>0</u>	<u>743</u>	<u>0</u>
Change in Net Assets	2,395	1,476	1,087	(96)	(138)
Net Assets at Beginning of Year, Restated	79,618	19,876	(865)	818	1,439
Net Assets at End of Year	<u>\$ 82,013</u>	<u>\$ 21,352</u>	<u>\$ 222</u>	<u>\$ 722</u>	<u>\$ 1,301</u>

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
\$ 71	\$	\$	\$ 5,457	\$ 1,701	\$ 1,218	\$ 8,447
215						1,581
2	3,280	4,655	216	57	943	13,619
			109			117
						29,872
			191			450
288	3,280	4,655	5,973	1,758	2,161	54,086
355	894	57	2,849	1,236	327	7,320
48	6	4	617	142	21	879
258	341	345	1,730	578	1,735	7,431
37	1,506		286	61	303	4,537
33			6		2	665
	106		1		238	406
		6,038				34,338
731	2,853	6,444	5,489	2,017	2,626	55,576
(443)	427	(1,789)	484	(259)	(465)	(1,490)
362	121	394	381	82	116	5,347
(57)	(23)	(63)	(62)	(14)	(18)	(671)
		1,098				1,295
305	98	1,429	319	68	98	5,971
(138)	525	(360)	803	(191)	(367)	4,481
		600		30	81	1,454
(7)	(94)		(74)			(403)
(7)	(94)	600	(74)	30	81	1,051
(145)	431	240	729	(161)	(286)	5,532
8,493	4,458	4,885	4,642	1,229	3,059	127,652
\$ 8,348	\$ 4,889	\$ 5,125	\$ 5,371	\$ 1,068	\$ 2,773	\$ 133,184

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2007
(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	\$ 68	\$ 24,728	\$ 5,312	\$ 1,438	\$ 2,300
Receipts from Interfund Services Provided					1,034
Receipts from Federal Agencies					90
Receipts from Loan Payments	5,638				
Payments to Suppliers and for Benefits and Claims	(479)	(23,974)	(5,278)	(1,359)	(2,999)
Payments for Employee Services	(336)		(21)	(722)	(529)
Payments for Interfund Services Used	(48)	(48)	(1)	(152)	(76)
Payments for Loans Originated	(9,438)				
Other Receipts (Payments)	198		57		1
Net Cash Provided (Used) by Operating Activities	(4,397)	706	69	(795)	(179)
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets				(29)	
Payments on Capital Lease Obligations					(4)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(29)	(4)
Cash Flows From Noncapital Financing Activities:					
Transfers In				743	
Transfers Out		(228)			
Other Noncapital Financing Activities					
Net Cash Provided (Used) by Noncapital Financing Activities	0	(228)	0	743	0
Cash Flows From Investing Activities:					
Investment Income	2,573	1,118	73	13	20
Security Lending Rebate Fees	(416)		(13)	(2)	(3)
Net Cash Provided (Used) by Investing Activities	2,157	1,118	60	11	17
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(2,240)	1,596	129	(70)	(166)
Cash and Cash Equivalents at Beginning of Year	42,120	18,780	469	450	319
Cash and Cash Equivalents at End of Year	<u>\$ 39,880</u>	<u>\$ 20,376</u>	<u>\$ 598</u>	<u>\$ 380</u>	<u>\$ 153</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (47)	\$ 586	\$ 1,021	\$ (850)	\$ (155)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense				36	25
Miscellaneous Nonoperating Items	197				
Decrease/(Increase) in Assets:					
Accounts Receivable	1	168		1	(31)
Interest, Dividends & Penalties Receivable	(17)				
Loans and Notes Receivable	(4,597)				
Due From Other Funds		(22)		(9)	(26)
Due From Component Units					1
Due From Other Governments		(1)			(7)
Inventory					161
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	49			(3)	(129)
Accrued Liabilities	7				(10)
Compensated Absences Payable	11			(8)	(6)
Due To Other Funds	(1)	(25)		2	
Deferred Revenue				36	(2)
Policy Claim Liabilities			(952)		
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,397)</u>	<u>\$ 706</u>	<u>\$ 69</u>	<u>\$ (795)</u>	<u>\$ (179)</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>
\$ 1,128	\$ 879	\$ 5,169	\$ 5,803	\$ 1,759	\$ 1,959	\$ 50,543
	2,661		293		121	4,109
					89	179
						5,638
(1,890)	(1,664)	(5,977)	(2,290)	(918)	(1,660)	(48,488)
(348)	(908)	(57)	(2,817)	(1,196)	(447)	(7,381)
(108)	(161)	(2)	(446)		(276)	(1,318)
						(9,438)
			1			257
(1,218)	807	(867)	544	(355)	(214)	(5,899)
	(34)					(63)
						(4)
0	(34)	0	0	0	0	(67)
		600		30	81	1,454
(7)	(94)		(74)			(403)
		1,098				1,098
(7)	(94)	1,698	(74)	30	81	2,149
347	105	376	359	76	113	5,173
(57)	(22)	(63)	(62)	(14)	(18)	(670)
290	83	313	297	62	95	4,503
(935)	762	1,144	767	(263)	(38)	686
6,245	1,907	5,890	5,825	1,631	2,348	85,984
<u>\$ 5,310</u>	<u>\$ 2,669</u>	<u>\$ 7,034</u>	<u>\$ 6,592</u>	<u>\$ 1,368</u>	<u>\$ 2,310</u>	<u>\$ 86,670</u>
\$ (443)	\$ 427	\$ (1,789)	\$ 484	\$ (259)	\$ (465)	\$ (1,490)
	106		1		238	406
						197
	(12)	26			9	162
3						(14)
(791)						(5,388)
	233				1	177
	(2)					(1)
					(10)	(18)
	246				16	423
	(10)					(10)
6	(210)	4	(82)	(137)	(15)	(517)
	(7)	1		13	1	5
7	(5)	(1)	32	27	8	65
	(1)		(14)	1		(38)
	42	489	123		3	691
		403				(549)
<u>\$ (1,218)</u>	<u>\$ 807</u>	<u>\$ (867)</u>	<u>\$ 544</u>	<u>\$ (355)</u>	<u>\$ (214)</u>	<u>\$ (5,899)</u>

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

June 30, 2007

(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 24,223	\$ 1,456	\$ 1,732	\$ 7,288	\$ 538	\$ 397
Receivables:						
Interest and Dividends	320	6	22	84	3	4
Other Funds		1,781	861	727	1,012	337
Component Units		10	341	54		1
Other Governments						
Other		2	37		1	2
Inventory		23	165		27	312
Securities Lending Collateral	4,209	252	301	1,265	93	69
Deferred Fiscal Charges and Other Assets	337	720	353	397	5	8
Total Current Assets	29,089	4,250	3,812	9,815	1,679	1,130
Capital Assets:						
Property, Plant and Equipment	9	12,708	4,527	9,296	1,078	443
Accumulated Depreciation	(7)	(9,357)	(3,843)	(9,275)	(888)	(267)
Construction in Progress		222	73	71		
Total Capital Assets	2	3,573	757	92	190	176
Total Assets	29,091	7,823	4,569	9,907	1,869	1,306
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	439	1,093	649	51	303	34
Payable To:						
Other Funds	27	130	133	101	25	5
Component Units						
Bonds, Notes and Leases Payable		276				
Claims, Judgments and Compensated Absences	10,976	845	331	79	139	26
Deferred Revenue	6,730					19
Securities Lending Collateral Liability	4,209	252	301	1,265	93	69
	22,381	2,596	1,414	1,496	560	153
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		424				
Claims, Judgments and Compensated Absences	15	765	300	71	126	24
Total Liabilities	22,396	3,785	1,714	1,567	686	177
Net Assets						
Invested in Capital Assets, Net of Related Debt	2	2,873	757	92	190	176
Unrestricted	6,693	1,165	2,098	8,248	993	953
Total Net Assets	\$ 6,695	\$ 4,038	\$ 2,855	\$ 8,340	\$ 1,183	\$ 1,129

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 544	\$ 11,442	\$ 1,295	\$ 450	\$ 3,175	\$ 3,303	\$ 55,843
3	133	17	7	44	39	682
108		1,039	319		863	7,047
		322			63	791
					105	105
6	1	168	3		154	374
					378	905
94	1,986	167	78	552	570	9,636
16	12	13				1,861
771	13,574	3,021	857	3,771	5,475	77,244
301	58	41,520	24		7,495	77,459
(282)	(43)	(26,781)	(20)		(3,000)	(53,763)
		61				427
19	15	14,800	4	0	4,495	24,123
790	13,589	17,821	861	3,771	9,970	101,367
18	27	443	223	7	538	3,825
17	27	467	49	3	258	1,242
		67				67
		2,651			242	3,169
32	1,552	25	240	2,117	380	16,742
					29	6,778
94	1,986	167	78	552	570	9,636
161	3,592	3,820	590	2,679	2,017	41,459
		4,577			377	5,378
29	1,987	23	218	13,416	342	17,316
190	5,579	8,420	808	16,095	2,736	64,153
19	15	7,572	4		3,876	15,576
581	7,995	1,829	49	(12,324)	3,358	21,638
\$ 600	\$ 8,010	\$ 9,401	\$ 53	\$ (12,324)	\$ 7,234	\$ 37,214

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, 2007
(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	\$ 36	\$	\$	\$	\$	\$
Sales and Services	95,833	17,498	13,181	2,698	5,080	3,863
Other Revenue	1,336	37	1	9	4	3
Total Operating Revenue:	<u>97,205</u>	<u>17,535</u>	<u>13,182</u>	<u>2,707</u>	<u>5,084</u>	<u>3,866</u>
Operating Expenses:						
Personal Services and Benefits	384	11,731	4,378	671	2,616	335
Travel	9	75	144	3	3	
Contractual Services	7,200	3,936	7,423	1,689	1,547	178
Supplies and Materials	123	626	676	85	719	3,361
Interest		22				
Depreciation/Amortization		1,930	359	534	70	41
Insurance Claims	94,425					
Total Operating Expenses	<u>102,141</u>	<u>18,320</u>	<u>12,980</u>	<u>2,982</u>	<u>4,955</u>	<u>3,915</u>
Operating Income (Loss)	(4,936)	(785)	202	(275)	129	(49)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets			2		1	
Loss on Disposal of Assets			(2)			
Interest Income	1,696	29	120	424	17	20
Other Expense	(265)	(5)	(19)	(69)	(2)	(3)
Total Nonoperating Revenue (Expenses)	<u>1,431</u>	<u>24</u>	<u>101</u>	<u>355</u>	<u>16</u>	<u>17</u>
Income (Loss) Before Transfers	(3,505)	(761)	303	80	145	(32)
Transfers:						
Transfers In		1,000		534		
Transfers Out			(1,000)			
Net Transfers In (Out)	<u>0</u>	<u>1,000</u>	<u>(1,000)</u>	<u>534</u>	<u>0</u>	<u>0</u>
Change in Net Assets	(3,505)	239	(697)	614	145	(32)
Net Assets at Beginning of Year	<u>10,200</u>	<u>3,799</u>	<u>3,552</u>	<u>7,726</u>	<u>1,038</u>	<u>1,161</u>
Net Assets at End of Year	<u>\$ 6,695</u>	<u>\$ 4,038</u>	<u>\$ 2,855</u>	<u>\$ 8,340</u>	<u>\$ 1,183</u>	<u>\$ 1,129</u>

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$ 1	\$ 37
846	1,386	13,521	3,707	2,954	11,511	172,078
	15	35			15	1,455
846	1,401	13,556	3,707	2,954	11,527	173,570
330	307	534	2,962	124	5,192	29,564
6	30	14	89		289	662
456	1,089	1,672	769	122	2,170	28,251
23	3	7,378	265	8	3,474	16,741
		287			61	370
33	8	5,026			546	8,547
	1,364			5,026	242	101,057
848	2,801	14,911	4,085	5,280	11,974	185,192
(2)	(1,400)	(1,355)	(378)	(2,326)	(447)	(11,622)
4		446				453
(2)		(112)			(1)	(117)
18	702	104	33	245	200	3,608
(3)	(110)	(14)	(5)	(36)	(32)	(563)
17	592	424	28	209	167	3,381
15	(808)	(931)	(350)	(2,117)	(280)	(8,241)
			246		379	2,159
					(216)	(1,216)
0	0	0	246	0	163	943
15	(808)	(931)	(104)	(2,117)	(117)	(7,298)
585	8,818	10,332	157	(10,207)	7,351	44,512
\$ 600	\$ 8,010	\$ 9,401	\$ 53	\$ (12,324)	\$ 7,234	\$ 37,214

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 53,188	\$ 355	\$ 3,823	\$ 244	\$ 6	\$ 130
Receipts from Interfund Services Provided	44,449	16,886	9,508	2,433	5,117	3,753
Payments to Suppliers and for Benefits and Claims	(100,220)	(3,230)	(7,447)	(824)	(1,807)	(3,530)
Payments for Employee Services	(382)	(11,774)	(4,338)	(673)	(2,614)	(353)
Payments for Interfund Services Used	(433)	(1,180)	(817)	(978)	(597)	(74)
Other Receipts (Payments)		37	1	9	4	3
Net Cash Provided (Used) by Operating Activities	(3,398)	1,094	730	211	109	(71)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(1,889)	(562)	(68)	(44)	(106)
Sales of Capital Assets			2		1	
Payments on Capital Lease Obligations		(209)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(2,098)	(560)	(68)	(43)	(106)
Cash Flows From Noncapital Financing Activities:						
Transfers In		1,000		534		
Transfers Out			(1,000)			
Received (Paid) on Interfund Borrowing						
Net Cash Provided (Used) From Noncapital Financing Activities	0	1,000	(1,000)	534	0	0
Cash Flows From Investing Activities						
Investment Income (Expense)	1,644	25	118	398	18	20
Security Lending Rebate Fees	(265)	(5)	(19)	(69)	(2)	(3)
Net Cash Provided (Used) by Investing Activities	1,379	20	99	329	16	17
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(2,019)	16	(731)	1,006	82	(160)
Cash and Cash Equivalents at Beginning of Year	26,242	1,440	2,463	6,282	456	557
Cash and Cash Equivalents at End of Year	\$ 24,223	\$ 1,456	\$ 1,732	\$ 7,288	\$ 538	\$ 397
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (4,936)	\$ (785)	\$ 202	\$ (275)	\$ 129	\$ (49)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,930	359	534	70	41
Interest Expense		22				
Decrease/(Increase) in Assets:						
Accounts Receivable		(1)	19			
Due From Other Funds		(268)	(19)	1	43	21
Due From Component Units		13	119	(23)		
Inventory		(6)	113		7	(67)
Deferred Fiscal Charges and Other Assets		130	18	(38)	(6)	
Increase/(Decrease) in Liabilities:						
Accounts Payable	200	100	(129)	4	(100)	3
Accrued Liabilities		(3)	(4)	6	(9)	(2)
Compensated Absences Payable	2	(40)	43	(8)	11	(16)
Due To Other Funds		2	9	10	(36)	(1)
Due to Component Units						
Deferred Revenue	431					(1)
Policy Claim Liabilities	905					
Net Cash Provided (Used) by Operating Activities	\$ (3,398)	\$ 1,094	\$ 730	\$ 211	\$ 109	\$ (71)
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets					1	
Capital Lease Obligations Entered Into		691				

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 345	\$ 516	\$ 2,493	\$ 27	\$ 809	\$ 2,251	\$ 64,187
475	870	11,502	3,638	2,146	9,390	110,167
(351)	(2,105)	(3,661)	(520)	(3,751)	(4,572)	(132,018)
(332)	(300)	(543)	(2,926)	(123)	(5,187)	(29,545)
(108)	(107)	(5,442)	(599)	(35)	(1,584)	(11,954)
	15	43			5	117
29	(1,111)	4,392	(380)	(954)	303	954
		(2,806)			(86)	(5,561)
6		742			1	752
		(2,882)			(262)	(3,353)
6	0	(4,946)	0	0	(347)	(8,162)
			246		362	2,142
					(216)	(1,216)
					(23)	(23)
0	0	0	246	0	123	903
18	676	108	31	245	193	3,494
(3)	(110)	(14)	(5)	(36)	(32)	(563)
15	566	94	26	209	161	2,931
50	(545)	(460)	(108)	(745)	240	(3,374)
494	11,987	1,755	558	3,920	3,063	59,217
<u>\$ 544</u>	<u>\$ 11,442</u>	<u>\$ 1,295</u>	<u>\$ 450</u>	<u>\$ 3,175</u>	<u>\$ 3,303</u>	<u>\$ 55,843</u>
\$ (2)	\$ (1,400)	\$ (1,355)	\$ (378)	\$ (2,326)	\$ (447)	\$ (11,622)
33	8	5,026			546	8,547
		270			45	337
9	(1)	7	(2)		107	138
(35)		418	(40)		(19)	102
		57	1		30	197
					3	50
28	(12)	16			3	139
(1)	3	17	6	(1)	26	128
(2)	1	1	5	(1)	13	5
	7	(10)	29	1	(16)	3
(1)	3	(71)	(1)		18	(68)
		16				16
	280			1,373	(6)	424
<u>\$ 29</u>	<u>\$ (1,111)</u>	<u>\$ 4,392</u>	<u>\$ (380)</u>	<u>\$ (954)</u>	<u>\$ 303</u>	<u>\$ 954</u>
2		334			(1)	336
		(4,031)				(3,340)

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2007
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Assets			
Cash and Cash Equivalents	\$ 5,532	\$ 4,170	\$ 9,702
Receivables:			
Employer	2,601		2,601
Employee	6,230		6,230
Benefits	82		82
Unsettled Investment Sales	22,003	3,148	25,151
Investment Income	18,032	186	18,218
Total Receivables	48,948	3,334	52,282
Investments, at Fair Value:			
Fixed Income	1,737,224	7,907	1,745,131
Equities	5,081,525	33,666	5,115,191
Real Estate	853,587	5,297	858,884
Private Equity	557,602	3,823	561,425
Total Investments	8,229,938	50,693	8,280,631
Securities Lending Collateral	592,844	4,275	597,119
Properties, at Cost	85		85
Accumulated Depreciation	(40)		(40)
Other Assets	12		12
Total Assets	8,877,319	62,472	8,939,791
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,671		2,671
Due to Other Funds	40		40
Compensated Absences Payable	212		212
Securities Sold, But Not Yet Purchased, at Fair Value	99,633		99,633
Unsettled Investment Purchases	23,750	3,226	26,976
Securities Lending Collateral Liability	592,844	4,275	597,119
Total Liabilities	719,150	7,501	726,651
Net Assets Held In Trust For Pension and Other Employee Benefits	\$ 8,158,169	\$ 54,971	\$ 8,213,140

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Additions			
Contributions:			
Employee	\$ 86,933	\$	\$ 86,933
Employer	85,362		85,362
Total Contributions	<u>172,295</u>	<u>0</u>	<u>172,295</u>
Investment Income:			
<i>From Investing Activities</i>			
Net Increase (Decrease) in Fair Value of Investments	1,230,374	7,648	1,238,022
Interest	91,747	736	92,483
Dividends	111,034	701	111,735
Real Estate	12,586	86	12,672
Investment Activity Income	<u>1,445,741</u>	<u>9,171</u>	<u>1,454,912</u>
Less Investment Activity Expenses	<u>(20,406)</u>	<u>(48)</u>	<u>(20,454)</u>
Net Investment Activity Income	1,425,335	9,123	1,434,458
<i>From Security Lending Activities</i>			
Security Lending Income	31,922	188	32,110
Security Lending Expenses	<u>(30,657)</u>	<u>(181)</u>	<u>(30,838)</u>
Net Security Lending Activity Income	<u>1,265</u>	<u>7</u>	<u>1,272</u>
Net Investment Income (Loss)	<u>1,426,600</u>	<u>9,130</u>	<u>1,435,730</u>
Transfers From Other Funds		6,000	6,000
Total Additions	<u>1,598,895</u>	<u>15,130</u>	<u>1,614,025</u>
Deductions			
Benefits	253,545	2,705	256,250
Refunds of Contributions	28,777		28,777
Administrative Expenses	<u>3,034</u>	<u>120</u>	<u>3,154</u>
Total Deductions	<u>285,356</u>	<u>2,825</u>	<u>288,181</u>
Net Increase	1,313,539	12,305	1,325,844
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	<u>6,844,630</u>	<u>42,666</u>	<u>6,887,296</u>
End of Year	<u>\$ 8,158,169</u>	<u>\$ 54,971</u>	<u>\$ 8,213,140</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2007
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Assets					
Cash and Cash Equivalents	\$ 15,268	\$ 345	\$ 1,649	\$ 1,627	\$ 18,889
Receivables:					
Due from Other Funds			121	5	126
Investment Income	657	2		4	663
Other	1,492	16			1,508
Total Receivables	2,149	18	121	9	2,297
Investments, at Fair Value:					
Pooled Investment Funds	133,198				133,198
Total Investments	133,198	0	0	0	133,198
Securities Lending Collateral	32,020	29		220	32,269
Properties, at Cost	14,099			25	14,124
Other Assets				10	10
Total Assets	196,734	392	1,770	1,891	200,787
Liabilities					
Payables:					
Accounts Payable and Other Liabilities		230		129	359
Due To Other Funds			159	25	184
Securities Lending Collateral Liability	32,020	29		220	32,269
Total Liabilities	32,020	259	159	374	32,812
Net Assets Held In Trust For Others	\$ 164,714	\$ 133	\$ 1,611	\$ 1,517	\$ 167,975

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Additions					
Contributions:					
From Participants	\$	\$	\$	\$ 430	\$ 430
From Clients and Inmates			7,669	907	8,576
Total Contributions	<u>0</u>	<u>0</u>	<u>7,669</u>	<u>1,337</u>	<u>9,006</u>
Investment Income:					
From Investing Activities					
Net Increase (Decrease) in Fair Value of Investments	10,166	1		2	10,169
Interest	9,421	6		17	9,444
Dividends	815				815
Net Investment Activity Income	<u>20,402</u>	<u>7</u>	<u>0</u>	<u>19</u>	<u>20,428</u>
From Security Lending Activities					
Security Lending Income	2,037	1		3	2,041
Security Lending Expenses	(2,000)	(1)		(3)	(2,004)
Net Security Lending Activity Income	<u>37</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37</u>
Net Investment Income (Loss)	<u>20,439</u>	<u>7</u>	<u>0</u>	<u>19</u>	<u>20,465</u>
Escheated Property	51				51
Miscellaneous Income	4,104	723			4,827
Transfers From Other Funds				5	5
Total Additions	<u>24,594</u>	<u>730</u>	<u>7,669</u>	<u>1,361</u>	<u>34,354</u>
Deductions					
Distribution to School Districts	8,453				8,453
Payments made for Trust Purposes		842	7,747	1,358	9,947
Administrative Expenses		1			1
Total Deductions	<u>8,453</u>	<u>843</u>	<u>7,747</u>	<u>1,358</u>	<u>18,401</u>
Net Increase (Decrease)	16,141	(113)	(78)	3	15,953
Net Assets Held In Trust For Others					
Beginning of Year	<u>148,573</u>	<u>246</u>	<u>1,689</u>	<u>1,514</u>	<u>152,022</u>
End of Year	<u>\$ 164,714</u>	<u>\$ 133</u>	<u>\$ 1,611</u>	<u>\$ 1,517</u>	<u>\$ 167,975</u>



STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2007
(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	\$ 21,972	\$ 1,213	\$ 4,363	\$ 4,359	\$ 2,208	\$ 34,115
Receivables:						
Taxes Receivable (net)	30,328					30,328
Due From Other Funds			86			86
Due From Other Governments	53					53
Interest and Dividends Receivable	90				7	97
Other	1,001				26	1,027
Total Receivables	<u>31,472</u>	<u>0</u>	<u>86</u>	<u>0</u>	<u>33</u>	<u>31,591</u>
Total Assets	<u>\$ 53,444</u>	<u>\$ 1,213</u>	<u>\$ 4,449</u>	<u>\$ 4,359</u>	<u>\$ 2,241</u>	<u>\$ 65,706</u>
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 11,054	\$ 1,213	\$	\$ 4,359	\$ 1,286	\$ 17,912
Due To Other Governments	42,390		4,449		955	47,794
Total Liabilities	<u>\$ 53,444</u>	<u>\$ 1,213</u>	<u>\$ 4,449</u>	<u>\$ 4,359</u>	<u>\$ 2,241</u>	<u>\$ 65,706</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 12,499	\$ 290,675	\$ 281,202	\$ 21,972
Accounts Receivable	95	1,001	95	1,001
Taxes Receivable (Net)	26,573	30,328	26,573	30,328
Interest and Dividends Receivable	71	90	71	90
Due From Other Funds	7		7	0
Due From Other Governments	351	53	351	53
Total Assets	\$ 39,596	\$ 322,147	\$ 308,299	\$ 53,444
Liabilities:				
Accounts Payable and Other Liabilities	\$ 4,529	\$ 12,543	\$ 6,018	\$ 11,054
Due To Other Governments	35,067	309,604	302,281	42,390
Total Liabilities	\$ 39,596	\$ 322,147	\$ 308,299	\$ 53,444
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 890	\$ 92,239	\$ 91,916	\$ 1,213
Total Assets	\$ 890	\$ 92,239	\$ 91,916	\$ 1,213
Liabilities:				
Accounts Payable and Other Liabilities	\$ 890	\$ 92,239	\$ 91,916	\$ 1,213
Total Liabilities	\$ 890	\$ 92,239	\$ 91,916	\$ 1,213
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 3,898	\$ 158,377	\$ 157,912	\$ 4,363
Due From Other Funds	88	86	88	86
Total Assets	\$ 3,986	\$ 158,463	\$ 158,000	\$ 4,449
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2	\$ 2,175	\$ 2,177	\$ 0
Due To Other Governments	3,984	156,288	155,823	4,449
Total Liabilities	\$ 3,986	\$ 158,463	\$ 158,000	\$ 4,449
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 3,287	\$ 12,939	\$ 11,867	\$ 4,359
Total Assets	\$ 3,287	\$ 12,939	\$ 11,867	\$ 4,359
Liabilities:				
Accounts Payable and Other Liabilities	\$ 3,287	\$ 12,939	\$ 11,867	\$ 4,359
Total Liabilities	\$ 3,287	\$ 12,939	\$ 11,867	\$ 4,359

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

Other Agency Funds	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets:				
Cash and Cash Equivalents	\$ 2,143	\$ 33,608	\$ 33,543	\$ 2,208
Accounts Receivable	34	26	34	26
Interest and Dividends Receivable	4	7	4	7
Due From Other Governments	28	1,129	1,157	0
Total Assets	\$ 2,209	\$ 34,770	\$ 34,738	\$ 2,241
Liabilities:				
Accounts Payable and Other Liabilities	\$ 1,236	\$ 30,528	\$ 30,478	\$ 1,286
Due To Other Governments	973	1,966	1,984	955
Total Liabilities	\$ 2,209	\$ 32,494	\$ 32,462	\$ 2,241
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 22,717	\$ 587,838	\$ 576,440	\$ 34,115
Accounts Receivable	129	1,027	129	1,027
Taxes Receivable (Net)	26,573	30,328	26,573	30,328
Interest and Dividends Receivable	75	97	75	97
Due From Other Funds	95	86	95	86
Due From Other Governments	379	1,182	1,508	53
Total Assets	\$ 49,968	\$ 620,558	\$ 604,820	\$ 65,706
Liabilities:				
Accounts Payable and Other Liabilities	\$ 9,944	\$ 150,424	\$ 142,456	\$ 17,912
Due To Other Governments	40,024	467,858	460,088	47,794
Total Liabilities	\$ 49,968	\$ 618,282	\$ 602,544	\$ 65,706

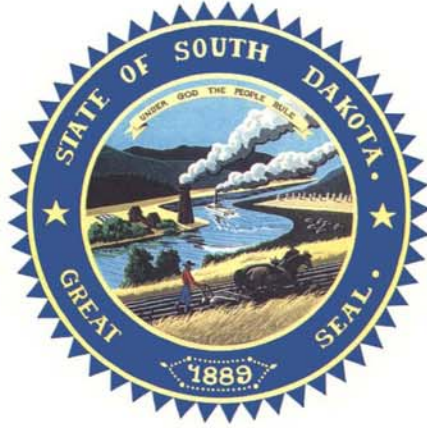
STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
June 30, 2007
(Expressed in Thousands)

Assets	Business-type Activities			Total
	Finance Authority	CREP Program	Value Added Finance Authority	
Current Assets:				
Cash and Cash Equivalents	\$ 1,662	\$ 409	\$ 589	\$ 2,660
Receivables:				
Interest and Dividends	134	70	2	206
Loans and Notes (Net)	1,251	821	211	2,283
Other (Net)		2		2
Investments	1,387			1,387
Deferred Fiscal Charges and Other Assets	67	35		102
Total Current Assets	4,501	1,337	802	6,640
Investments	1,162	278		1,440
Restricted Assets:				
Cash and Cash Equivalents	28			28
Investments	6,582			6,582
Other Noncurrent Assets (net)	17,278	444	832	18,554
Total Assets	29,551	2,059	1,634	33,244
Liabilities				
Current Liabilities:				
Accounts Payable and Other Liabilities	10	2		12
Bonds, Notes and Leases Payable	870	1,030	25	1,925
Accrued Interest Payable	242	14	9	265
Deferred Revenue		37		37
Other Current Liabilities	115			115
Total Current Liabilities	1,237	1,083	34	2,354
Noncurrent Liabilities:				
Bonds, Notes and Leases Payable	18,392	290	1,242	19,924
Other Noncurrent Liabilities	1,681			1,681
Total Liabilities	21,310	1,373	1,276	23,959
Net Assets				
Restricted For:				
Debt Service	6,610			6,610
Unrestricted	1,631	686	358	2,675
Total Net Assets	\$ 8,241	\$ 686	\$ 358	\$ 9,285

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2007
(Expressed in Thousands)

	Business-type Activities			Total
	Finance Authority	CREP Program	Value Added Finance Authority	
Operating Revenue:				
Use of Money and Property	\$ 1,123	\$ 136	\$ 48	\$ 1,307
Total Operating Revenue	<u>1,123</u>	<u>136</u>	<u>48</u>	<u>1,307</u>
Operating Expenses:				
Personal Services and Benefits		47		47
Contractual Services	66	23		89
Other	10			10
Interest	1,012	105		1,117
Depreciation/Amortization		16		16
Total Operating Expenses	<u>1,088</u>	<u>191</u>	<u>0</u>	<u>1,279</u>
Operating Income (Loss)	35	(55)	48	28
Nonoperating Revenue (Expenses):				
Interest Income	413	32	9	454
Interest Expense			(13)	(13)
Grant and Other Income			2	2
Total Nonoperating Revenue (Expenses)	<u>413</u>	<u>32</u>	<u>(2)</u>	<u>443</u>
Change in Net Assets	448	(23)	46	471
Net Assets At Beginning of Year	<u>7,793</u>	<u>709</u>	<u>312</u>	<u>8,814</u>
Net Assets at End of Year	<u>\$ 8,241</u>	<u>\$ 686</u>	<u>\$ 358</u>	<u>\$ 9,285</u>





STATISTICAL SECTION

State of South Dakota
Net Assets by Component,
Last Six Fiscal Years
(accrual basis of accounting, dollars in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Governmental activities:						
Invested in capital assets, net of related debt	\$ 2,947,980	\$ 2,829,173	\$ 2,690,656	\$ 2,572,130	\$ 2,520,503	\$ 2,433,483
Restricted	1,091,917	1,012,357	280,219	253,780	248,126	209,216
Unrestricted	70,308	85,670	821,458	804,023	701,701	648,416
Total governmental activities net assets	<u>\$ 4,110,205</u>	<u>\$ 3,927,200</u>	<u>\$ 3,792,333</u>	<u>\$ 3,629,933</u>	<u>\$ 3,470,330</u>	<u>\$ 3,291,115</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 2,829	\$ 3,184	\$ 2,817	\$ 2,737	\$ 2,615	\$ 2,881
Restricted	284,322	262,293	227,167	215,957	197,892	197,428
Unrestricted	94,300	89,879	95,195	95,578	92,168	87,092
Total business-type activities net assets	<u>\$ 381,451</u>	<u>\$ 355,356</u>	<u>\$ 325,179</u>	<u>\$ 314,272</u>	<u>\$ 292,675</u>	<u>\$ 287,401</u>
Primary government						
Invested in capital assets, net of related debt	\$ 2,950,809	\$ 2,832,357	\$ 2,693,473	\$ 2,574,867	\$ 2,523,118	\$ 2,436,364
Restricted	1,376,239	1,274,650	507,386	469,737	446,018	406,644
Unrestricted	164,608	175,549	916,653	899,601	793,869	735,508
Total primary government net assets	<u>\$ 4,491,656</u>	<u>\$ 4,282,556</u>	<u>\$ 4,117,512</u>	<u>\$ 3,944,205</u>	<u>\$ 3,763,005</u>	<u>\$ 3,578,516</u>

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2007).

Note: (a) The State of South Dakota implemented GASB 34 beginning with the FY 2002 CAFR. To be consistent with reporting changes, statistical data will be reported back to FY 2002.
(b) The increase in restricted net assets from FY 2005 to FY 2006 was primarily due to implementation of GASB 46 - Net Assets Restricted by Enabling Legislation.

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

(accrual basis of accounting, dollars in thousands)

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

State of South Dakota
Changes in Net Assets,
Last Six Fiscal Years (Continued)

(accrual basis of accounting, dollars in thousands)

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

Source South Dakota Comprehensive Annual Financial Reports (FY 2002-2007).

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

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

(modified accrual basis of accounting, dollars in thousands)

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

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2007).

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

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

(modified accrual basis of accounting, dollars in thousands)

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

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2007).

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



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

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

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

Notes:

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

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

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

Fiscal Year 2004				
	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable sales</u>	<u>Percent of Total</u>
Agriculture, Forestry, and Fishing	2,409	3.92%	\$ 149,210	1.18%
Mining	136	0.22%	36,058	0.28%
Construction	495	0.81%	16,041	0.13%
Manufacturing	1,769	2.88%	400,590	3.15%
Transportation and Public Utilities	3,568	5.81%	1,756,328	13.83%
Wholesale Trade	4,820	7.85%	1,434,049	11.29%
Retail Trade	21,780	35.48%	6,506,744	51.23%
Finance, Insurance, and Real Estate	1,516	2.47%	265,752	2.09%
Services	24,864	40.51%	2,134,617	16.81%
Public Administration	23	0.04%	560	0.00%
Nonclassifiable Establishments	4	0.01%	117	0.00%
Total	61,384	100.00%	\$ 12,700,066	100.00%

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

Notes:

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

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

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

Fiscal Year 2003			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,329	3.86%	\$ 130,298	1.10%
138	0.23%	33,672	0.29%
576	0.96%	25,046	0.21%
1,671	2.77%	380,073	3.22%
3,656	6.05%	1,527,025	12.92%
4,821	7.98%	1,262,450	10.68%
21,316	35.30%	6,145,005	51.99%
1,515	2.51%	261,591	2.21%
24,338	40.30%	2,053,825	17.38%
26	0.04%	549	0.01%
3	0.00%	5	0.00%
60,389	100.00%	\$ 11,819,539	100.00%

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

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

(dollars in thousands)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Governmental Activities:						
Revenue Bonds	\$ 324,250	\$ 336,976	\$ 339,676	\$ 341,468	\$ 352,540	\$ 96,306
Trust Certificates	29,730	32,465	35,080	37,575	39,955	42,210
Capital Leases	30,992	30,925	34,413	34,729	34,255	38,368
Loans	-	-	-	-	-	44
Total Governmental Activities	384,972	400,366	409,169	413,772	426,750	176,928
Business-type Activities:						
Revenue Bonds	99,798	102,322	52,272	28,853	30,284	31,359
Capital Leases	-	4	13	21	29	25
Total Governmental Activities	99,798	102,326	52,285	28,874	30,313	31,384
Total Primary Government	\$ 484,770	\$ 502,692	\$ 461,454	\$ 442,646	\$ 457,063	\$ 208,312
South Dakota Total Personal Income	\$ 26,995,920	\$ 25,254,517	\$ 24,615,707	\$ 23,853,345	\$ 22,385,746	\$ 20,595,878
Debt as a Percentage of Personal Income	1.8%	2.0%	1.9%	1.9%	2.0%	1.0%
South Dakota Population (in thousands)	796	788	780	774	767	762
Long-Term Debt per Capita	\$ 609.01	\$ 637.93	\$ 591.61	\$ 571.89	\$ 595.91	\$ 273.38

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2002-2007)

Total Personal Income and Population data compiled by USD Business Research Bureau, South Dakota

State Data Center.

Note: (a) South Dakota Total Personal Income figure for 2007 is preliminary.

(b) Data for Total Personal Income for 2002 through 2006 has been revised.

(c) Detail about the State's debt can be found in Note 13 of the financial statements.

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

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

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

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

(dollars in thousands)

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

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

- Note:** (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.
- (b) For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, \$26,071,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2007.
- (c) Debt coverage on Clean Water bonds in FY 2005 is 36.46% because all but one previous bond issue was refunded during that fiscal year, so there was not any debt services payment on those bonds during that fiscal year.
- (d) The Educational Enhancement Funding Corporation was created in FY 2003.
- (e) All funds are presented on a accrual basis except for the Building Authority Fund which is presented on a cash basis.
- (f) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2007	301,621	1.0%	20,051	0.7%	796	1.0%
2006	298,755	1.0%	19,910	0.7%	788	1.1%
2005	295,896	0.9%	19,769	0.5%	780	0.8%
2004	293,192	0.9%	19,662	0.6%	774	0.9%
2003	290,448	0.9%	19,551	0.5%	767	0.6%
2002	287,888	1.0%	19,462	0.5%	762	0.4%
2001	285,112	1.3%	19,370	0.7%	759	0.5%
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%

NOTE: Midyear (July 1) population estimates. Revised estimates for 2001, 2002, 2003, 2004, 2005, 2006 and estimates for 2007 were released December 2007. 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
2006	\$ 10,968,393	6.7%	\$ 692,706	5.3%	\$ 25,255	2.6%
2005r	10,284,356	5.9%	657,850	4.3%	24,616	3.2%
2004r	9,711,363	6.1%	630,728	5.4%	23,853	6.6%
2003r	9,150,320	3.1%	598,619	3.8%	22,386	8.7%
2002	8,872,871	1.8%	576,806	2.5%	20,596	0.8%
2001	8,716,992	3.5%	562,733	3.1%	20,429	5.1%
2000	8,422,074	8.0%	545,882	6.7%	19,438	5.8%
1999	7,796,137	5.1%	511,507	3.9%	18,367	4.8%
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%

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, March 2008.
Compiled by USD Business Research Bureau, South Dakota State Data Center.

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
*2007	3.1%	4.6%
2006	3.2%	4.6%
2005	3.7%	5.1%
2004	3.7%	5.5%
2003	3.5%	6.0%
2002	3.3%	5.8%
2001	3.1%	4.7%
2000	2.7%	4.0%
1999	2.8%	4.2%
1998	3.0%	4.5%

* Preliminary.

Estimates for 2000 through 2006 have been recently updated.

SOURCE: U.S. Bureau of Labor Statistics and Labor Market Information Center. 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
2006p	\$ 36,629	5.6%	\$ 34,774	4.6%	\$ 32,405	1.9%
2005r	34,685	4.9%	33,237	3.7%	31,811	2.6%
2004r	33,072	5.1%	32,040	4.8%	31,007	5.8%
2003r	31,466	2.2%	30,582	3.3%	29,304	8.2%
2002r	30,795	0.8%	29,616	2.0%	27,089	0.5%
2001r	30,562	2.4%	29,041	2.5%	26,948	4.8%
2000r	29,843	6.8%	28,324	5.9%	25,718	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%

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 2007. U.S. Census Bureau for midyear (July 1) population estimates. Compiled by USD Business Research Bureau, South Dakota State Data Center.

State of South Dakota
Top Ten Employers
2006 as Compared to 1997

2006 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	13,953	3.35%
2	Federal Government (Statewide)	11,124	2.67%
3	Sioux Falls MSA Local Government**	7,880	1.89%
4	Rapid City MSA Local Government**	5,618	1.35%
5	Sanford Health (Sioux Valley Hospital) (Sioux Falls)	5,380	1.29%
6	Wal-Mart	4,200	1.01%
7	Avera McKennan Hospital (Sioux Falls)	3,450	0.83%
8	John Morrell	3,300	0.79%
9	Citibank (Sioux Falls)	3,200	0.77%
10	Rapid City Regional Hospital	3,000	0.72%
		61,105	14.65%
Total SD Employment 2006		417,100	

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

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

Sources: Company websites, public relations offices.

SD State Govt, SF MSA Local Govt and RC MSA Local Govt figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).

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

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

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

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

(d) Total 2006 South Dakota Employment was 417,100

1997 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	South Dakota State Government*	12,652	3.3%
2	Federal Government (Statewide)	10,809	2.8%
3	Gateway 2000 (North Sioux City & Sioux Falls)	7,400	1.9%
4	Sioux Falls MSA Local Government**	6,451	1.7%
5	Rapid City MSA Local Government**	4,667	1.2%
6	Sioux Valley Hospital (Sioux Falls)	3,415	0.9%
7	Citibank South Dakota NA (Sioux Falls)	3,200	0.8%
8	John Morrell & Company (Sioux Falls)	3,050	0.8%
9	McKenna Hospital (Sioux Falls)	2,397	0.6%
10	Rapid City Regional Hospital (Rapid City)	1,900	0.5%
		55,941	14.6%
Total SD Employment 1997		383,215	

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

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

Sources: State of South Dakota FY 1996 and FY 1997 Comprehensive Annual Financial Reports.

SD State Govt, SF MSA Local Govt and RC MSA Local Govt figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).

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

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

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

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

(d) Total 1997 South Dakota Employment was 383,215

NONFARM WAGE AND SALARY EMPLOYMENT BY INDUSTRY ¹ (Expressed in Thousands)

	2007*	2006r	2005r	2004r	2003r	2002r	2001r	2000r	1999r	1998r
Natural Resources/Mining	1.0	0.9	0.9	0.8	0.9	1.0	1.2	1.3	1.3	1.7
Construction	22.3	22.0	21.0	19.9	19.3	18.6	18.5	18.0	17.1	16.1
Manufacturing	42.7	41.5	39.8	38.9	37.7	38.4	41.0	43.8	44.2	44.0
Transportation/Warehousing/ Utilities	13.1	12.7	12.1	11.5	11.5	11.8	12.1	12.0	11.9	11.8
Wholesale/Retail Trade	68.8	67.6	66.9	65.6	64.9	64.8	65.0	64.8	64.0	63.1
Wholesale Trade	18.8	18.3	17.6	17.1	16.7	16.7	16.7	16.5	16.5	16.4
Retail Trade	50.1	49.3	49.3	48.5	48.2	48.1	48.3	48.3	47.5	46.7
Information	7.1	7.0	6.8	6.7	6.8	6.8	6.8	6.9	6.7	6.7
Financial Activities	31.0	29.6	28.5	27.8	27.7	27.9	28.0	26.2	25.1	23.2
Professional/Business Svcs.	26.8	25.5	24.5	24.2	24.3	24.9	25.9	27.3	25.4	23.1
Educational/Health Services	60.1	58.6	57.4	56.5	55.4	54.0	52.6	51.3	50.0	48.4
Leisure and Hospitality	43.2	42.5	41.7	40.7	39.7	39.4	38.6	38.5	37.7	37.0
Other Services (Except Public Administration)	15.9	15.6	15.5	15.9	15.7	15.9	15.8	16.4	16.7	15.8
Government	75.4	75.1	75.0	74.7	74.3	74.0	73.1	71.0	70.0	69.2
TOTAL	407.5	398.8	389.8	383.4	378.2	377.3	378.5	377.6	370.0	360.0
% Change in Nonfarm Employment	2.2%	2.3%	1.7%	1.4%	0.2%	-0.3%	0.2%	2.1%	2.8%	2.0%

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

¹ Based on NAICS.

* 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
2007	528	\$733.4	8	\$2.7	536	\$736.1
2006	461	263.6	13	143.9	474	407.5
2005	344	221.0	16	54.1	360	275.1
2004	476	169.5	20	72.3	496	241.8
2003	496	191.5	21	206.0	517	397.5
2002	466	156.5	6	9.4	472	165.9
2001	544	141.6	13	96.5	557	238.1
2000	438	249.1	16	10.6	454	259.7
1999	478	261.9	14	23.4	492	285.3
1998	555	208.6	19	21.9	574	230.5

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

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



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

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

Source: State's Budget System RB03

Note:

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

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
General Government						
Executive Management						
Bureau of Finance and Management						
Complete Governors Budget Book	Annual	Annual	Annual	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual	Annual	Annual	Annual
Bureau of Information and Telecommunications						
Data Storage (GB)	10,347	6,273	1,732	822	624	374
SDPB Local Production (Hours)	744	719	615	533	381	355
Radio Calls through Digital Network	22,584,630	18,719,091	14,377,144	13,200,000	7,200,000	1,000
Bureau of Personnel						
Health: Employees, COBRA, Retirees/Dependents	13,083 / 11,846	13,105 / 11,713	12,853 / 11,093	12,535 / 10,856	12,344 / 10,625	12,419 / 10,370
Bureau of Administration						
Pieces of Mail Handled/Year	11,638,363	9,977,094	10,286,652	10,381,413	10,053,075	10,494,749
Total Miles Driven	38,180,716	39,406,852	39,017,332	37,488,578	37,197,089	37,053,900
Revenue						
Total Active Business Licenses	72,315	70,685	68,691	67,219	64,839	63,222
Vehicles Registered	1,129,972	1,135,960	1,102,710	1,081,123	1,052,766	1,031,453
Misc. Special Tax Licenses	5,672	8,030	7,977	7,532	7,319	7,182
Lottery						
Licensed Lottery Retailers--Instant	615	609	597	589	567	569
Licensed Lottery Retailers--On-line	447	407	365	353	345	348
Legislature						
Legislative Research Council	N/A	N/A	N/A	N/A	N/A	N/A
Auditor General						
Audits Performed	66	69	73	83	97	78
Audits Reviewed (IPA reports)	318	293	271	308	275	260
School and Public Lands						
Apportion common school interest fund and income to school districts (in Thousands)	\$ 8,453	\$ 8,265	\$ 4,297	\$ 6,649	\$ 9,219	\$ 10,381
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	\$ 2,026	\$ 1,753	\$ 1,464	\$ 1,275	\$ 1,820	\$ 2,100
Secretary of State						
Business and Secured Transaction Filings	101,215	95,518	102,162	90,387	73,792	97,641
State Treasurer						
Cash Receipts (Thousands)	\$ 3,705,226	\$ 3,625,844	\$ 3,402,620	\$ 3,300,787	\$ 3,091,868	\$ 2,954,343
Unclaimed Property - Claims Paid	5,084	6,138	8,398	13,410	4,376	3,180
State Auditor						
Vouchers Audited	287,076	309,479	310,579	292,110	290,140	289,321
Warrants Written	595,412	634,882	737,425	899,687	936,117	947,737
Health, Human, and Social Services						
Social Services						
Medicaid Enrolled/Month	100,393	100,274	97,810	95,043	91,123	85,516
Long Term Care Services - Clients Served	4,419	4,452	4,642	4,634	4,792	4,720
Health						
Immunization Rate, Children 19-35 months						
4:3:1:3:3 shot series	N/A	N/A	87%	86%	81%	80%
Public Health Investigations	13,922	15,416	16,711	13,080	11,716	9,146
Labor						
State Labor Force	434,803	432,442	427,374	426,196	421,980	415,903
Unemployment Rate	3.20%	3.50%	3.80%	3.50%	3.00%	3.40%
South Dakota Retirement System						
Budget Compared to Assets	0.044%	0.044%	0.049%	0.049%	0.059%	0.056%
Budget Compared to Benefits	1.220%	1.260%	1.300%	1.400%	1.500%	1.600%
Veterans Benefits and Services						
South Dakota Veteran Population	73,325	74,224	75,104	75,966	78,000	77,400
State Veterans' Home						
Average Daily Census	119.4	118.6	122	121	123	128
Human Services						
People with Developmental disabilities served	2,762	2,727	2,668	2,521	2,457	2,395
People with mental illness served	12,246	11,591	10,389	9,665	9,288	9,032
People with substance abuse issues served	15,069	14,180	16,394	16,524	17,190	16,879
People receiving vocational rehabilitation services	6,508	6,819	6,717	6,401	6,140	6,017

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Law, Justice, Public Protection, and Regulation						
Corrections						
Adult System ADP (Average Daily Population)	3,412	3,466	3,177	3,059	2,954	2,781
Avg. Daily Population on Supervision	2,312	2,011	2,243	1,945	1,667	1,471
Juvenile Institutional and Placement ADP	486.5	510.1	512.1	519.7	513.6	468
Unified Judicial System						
Felony Offenses Filings/Pending	5,660 / 7,388	6,970 / 7,462	7,032 / 7,970	6,895 / 6,936	6,277 / 5,978	6,784 / 6,033
Class one Misdemeanor Filings/Pending	23,464 / 22,296	24,064 / 22,570	22,094 / 20,330	20,542 / 18,144	20,107 / 16,948	19,502 / 16,422
Class two Misdemeanor Filings/Pending	139,933 / 43,043	141,405 / 43,614	142,605 / 40,449	142,025 / 36,983	141,508 / 39,580	148,326 / 39,853
Attorney General						
New Cases Opened/Closed/Pending (thousands)	1.1/1.0/1.9	1.2/1.2/1.9	1.3/1.2/1.9	1.5/1.4/1.8	1.2/1.2/1.6	1.5/1.2/1.5
Investigations Conducted by DCI	534	599	580	683	622	636
Public Safety						
Patrol of Public Highways (Hours)	139,828	136,428	125,844	129,575	123,880	129,431
Driver Licenses Issued	205,260	198,755	189,727	134,282	199,115	204,675
Military and Veterans Affairs						
Assigned Strength of the Army Guard	3,360	3,425	3,425	3,425	3,410	3,355
Assigned Strength of the Air Guard	1,008	1,015	1,030	1,025	1,035	1,084
Appraiser Program						
New / Renewed licenses	17 / 360	33 / 361	30 / 360	33 / 331	38 / 316	31 / 329
Revenue Financial Services						
Banking Institutions Examined	376	609	606	618	632	554
Dealer, Broker & Investment Advisor						
Agents Licensed	60,015	54,396	51,146	47,593	44,937	48,410
Renewed & Issued Insurance						
Appointments/Licenses	210,739	211,904	196,873	218,679	206,237	173,550
Revenue Boards and Commissions						
New & Renewed Licenses Issued	7,351	7,759	6,577	7,861	6,492	7,364
Public Utilities Commission						
Dockets Opened	306	258	306	435	327	314
Agriculture and Natural Resources						
Agriculture						
Wildfires Suppressed: (Fires/Acres)	904 / 288,616	762 / 47,860	412 / 7,309	622 / 73,585	455 / 116,933	564 / 55,976
Dairy Inspections	13,500	1,549	1,532	1,691	N/A	1,916
Marketing Consultations	300	220	240	280	265	380
Insect & Disease Individual Assists	792	390	373	430	777	234
Game, Fish and Parks						
Total Park Visitations	7,326,503	7,202,975	7,148,102	7,413,106	7,256,419	7,115,630
Acres of Walk-In Areas	1,000,000	1,080,000	935,163	903,000	883,827	821,267
Environment and Natural Resources						
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	34.8M / 102	91.4M / 135	108.2M / 150	34.5M / 117	47.1M / 113	54.5M / 110
Total number of Regulated Facilities	24,445	23,123	20,711	20,525	20,328	20,000
Petroleum Release Compensation						
Petroleum Release Cases Initiated	22	29	27	21	29	16
Abandoned Tank site Cases Initiated	45	38	53	69	171	794
Transportation						
Transportation						
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	83.3	77.8	76.6	74.9	71.3	75.4
Percent of interstate pavement in excellent condition based on condition index	40.6	35.2	24.1	33.8	30.1	28.9
Education						
Student K-12 public school fall enrollment	120,278	120,682	121,327	123,058	124,470	125,612
Economic Resources						
Tourism and State Development						
Capital Investment Reported (Millions)	\$ 407.50	\$ 275.10	\$ 241.80	\$ 397.50	\$ 165.90	\$ 238.50
New Jobs Created (calendar year)	3,044	3,202	3,046	2,190	2,398	2,633
Tourism's Impact on South Dakota Economy (billions)	\$ 2.33	\$ 2.16	\$ 2.02	\$ 1.75	\$ 1.66	\$ 1.50

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

N/A= Not Applicable

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

State of South Dakota
Capital Asset Statistics by Function
as of June 30, 2007

	Fiscal Year	
	2007	2006
General Government		
Vehicles	2,711	2,636
Land (Acres)	760,832	761,295
Equipment	1,477	1,970
Buildings	13	21*
Infrastructure	0	0
Health, Human, and Social Services		
Vehicles	6	5
Land (Acres)	901	901
Equipment	566	540
Buildings	46	46
Infrastructure	0	0
Law, Justice, Public Protection, and Regulation		
Vehicles	313	323
Land (Acres)	2,313	2,313
Equipment	627	599
Buildings	70	54*
Infrastructure	0	0
Agriculture and Natural Resources		
Vehicles	326	300
Land (Acres)	297,796	293,775
Equipment	1,123	1,095
Buildings	35	34
Infrastructure	0	0
Transportation		
Vehicles	1,259	1,194
Land (Acres)	3,883	3,950
Land, ROW Roads	\$69,080,371	\$48,033,462
Land Improvements, Roads	\$512,498,327	\$512,216,849
Equipment	2,402	2,258
Buildings	96	88
Infrastructure		
-Roads: Lane Miles	8,864	8,886
-Bridges: Number of	1,800	1,805
-Railroads: Track Miles	513	328
Education		
Vehicles	0	0
Land (Acres)	33	33
Equipment	47	53
Buildings	22	25
Infrastructure	0	0
Economic Resources		
Vehicles	3	2
Land (Acres)	0	0
Equipment	39	41
Buildings	0	0
Infrastructure	0	0

*Restated balances

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

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

