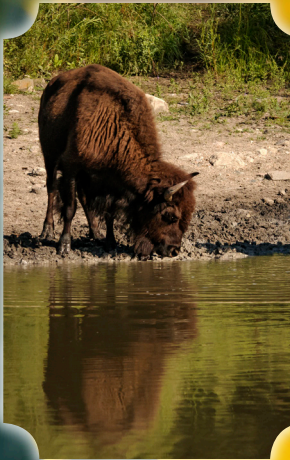


# South Dakota

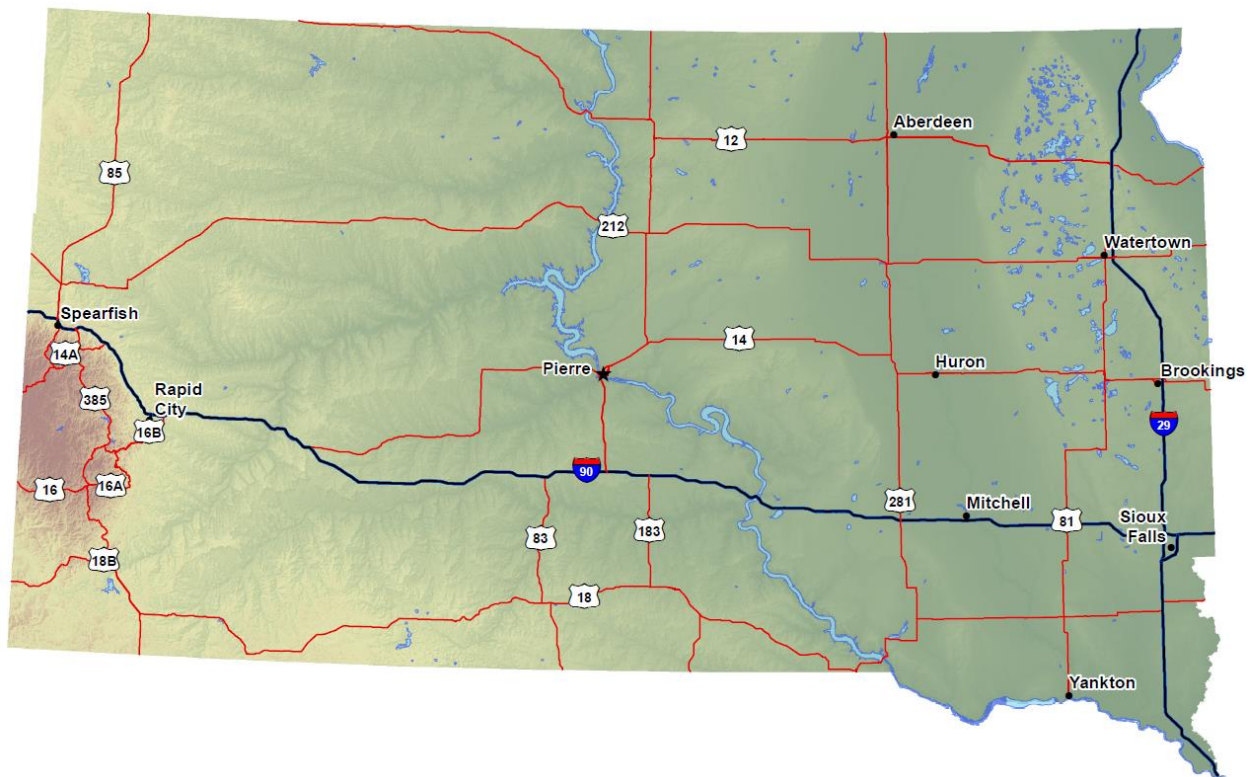


## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018**



***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018***



***DENNIS DAUGAARD, GOVERNOR***

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

***LIZA CLARK, CHIEF FINANCIAL OFFICER  
BUREAU OF FINANCE AND MANAGEMENT***

# ACKNOWLEDGEMENTS

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STATE OF SOUTH DAKOTA  
DENNIS DAUGAARD, GOVERNOR



December 28, 2018

To the Members of the Legislature and the Citizens of South Dakota,

As Governor of South Dakota, I take very seriously our obligation and responsibility to provide timely and accurate financial reporting. Therefore, I am proud to present the State's 32<sup>nd</sup> *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2018. This 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.

In South Dakota, we remain committed to strong financial principles. We structurally balance our budget each year by ensuring ongoing spending is only supported by ongoing revenue. We avoid the creation of unfunded liabilities and maintain a strong level of reserve funds to address emergencies. We use one-time funds to prepay debt or improve an asset. And we base our budget on honest, conservative projections of revenue and expenses, without the use of accounting gimmicks.

This stability results in a growing economy in South Dakota with one of the lowest unemployment rates in the nation. In fiscal year 2018, South Dakota's employment grew 0.9%, or 3,800 jobs throughout the fiscal year, while the unemployment rate currently stands at 3.0%.

As I leave office, I am proud that South Dakota's financial stability is the envy of the nation. For that, we can thank generations of governors, legislators, and state officials. So long as we stay true to our principles, our finances will remain strong.

Sincerely,

A handwritten signature in blue ink that reads "Dennis Daugaard".

Dennis Daugaard

*South Dakota*



GREAT FACES. GREAT PLACES. ©

# **TABLE OF CONTENTS**

*Title Page*

*Acknowledgements*

*Governor's Letter*

## **INTRODUCTORY SECTION:**

Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	9
Principal State Officials .....	10
Functions of State Government.....	11
State Organizational Chart .....	12

## **FINANCIAL SECTION:**

Independent Auditor's Report.....	13
Management's Discussion and Analysis .....	17

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

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

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

## **Required Supplementary Information ..... 119**

Budgetary Comparison Schedule – General Fund .....	120
Budgetary Comparison Schedule – Transportation Fund.....	132
Budgetary Comparison Schedule – Social Services Federal Fund .....	133
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation .....	134
Notes to Required Supplementary Information – Budgetary Reporting.....	135
Schedule of Net Pension Liability (Asset) .....	136
Schedule of Contributions .....	136
Notes to Required Supplementary Information – Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions.....	137

## **Combining Financial Statements..... 139**

Combining Balance Sheet – Nonmajor Governmental Funds – By Type.....	140
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – By Type .....	141
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	142
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	146
Combining Balance Sheet – Nonmajor Debt Service Funds.....	150
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds.....	151
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	152

Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds .....	154
Combining Statement of Cash Flows – Nonmajor Enterprise Funds.....	156
Combining Statement of Net Position – Internal Service Funds .....	158
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds .....	160
Combining Statement of Cash Flows – Internal Service Funds.....	162
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds .....	164
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds .....	165
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds .....	167
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	168
Combining Statement of Net Position – Component Units .....	170
Combining Statement of Revenues, Expenses, and Changes in Net Position – Component Units .....	171
Statement of Cash Flows – Higher Education .....	172
Combining Statement of Net Position – Nonmajor Component Units.....	174
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Component Units.....	175
<b>Index to the Statistical Section .....</b>	<b>177</b>
Net Position by Component.....	178
Changes in Net Position.....	179
Fund Balances, Governmental Funds.....	180
Changes in Fund Balances, All Governmental Funds .....	181
Sales Tax Revenue Payers by Industry .....	182
Taxable Sales by Industry .....	184
Ratios of Outstanding Long-Term Debt.....	185
Pledged Revenue Coverage .....	186
Population.....	187
Total Personal Income .....	187
Unemployment Rate .....	188
Per Capita Personal Income .....	188
Nonfarm Wage and Salary Employment by Industry .....	189
Expanded and New Industries .....	189
Top Ten Employers .....	190
Full-Time Equivalent State Employees by Function of Government .....	191
Capital Asset Statistics by Function .....	192
Operating Indicators by Function .....	194





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*INTRODUCTORY SECTION*

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*INTRODUCTORY SECTION*

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# DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

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

December 28, 2018

**The Honorable Dennis M. Daugaard, Governor of the State of South Dakota**  
**The Honorable Kristi Noem, Governor-elect of the State of South Dakota**  
**The Honorable Members of the South Dakota Legislature**  
**The Citizens of the State of South Dakota**

It is a privilege to present the 32<sup>nd</sup> *Comprehensive Annual Financial Report* (CAFR) for the State of South Dakota (the State) for the fiscal year ended June 30, 2018.

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

The CAFR is presented in three sections. The *Introductory Section* contains this letter of transmittal, a list of principal State officials, fiscal year 2018 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the Basic Financial Statements and Notes, Required Supplementary Information, and Other Supplemental Information. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

**Independent Auditors.** The CAFR has been audited by the South Dakota Department of Legislative Audit (DLA), a division of the legislative branch of State government. The audit was conducted 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* (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by DLA) includes expressions of opinions 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 as of June 30, 2018, 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, DLA 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 *Single Audit Report* for the State under separate cover.

**Internal Controls.** Management of the State is responsible for establishing and maintaining an effective system of internal control designed to provide reasonable, but not absolute, assurance the State is achieving its operational, reporting, and compliance objectives. Those objectives include, but are not limited to, the safeguarding of assets from loss, theft, or misuse, and to ensure the reliability of financial records for the preparation of financial statements in conformity with GAAP. The system of internal control for the State is designed to meet those objectives. 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 judgments by management.

Internal control procedures of the State are considered by DLA during its audits of the State. However, they do not express an opinion on the effectiveness of the State's internal control system.

**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 the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Independent Auditor's Report.

## PROFILE OF THE GOVERNMENT

**Structure.** The State entered the Union on November 2, 1889, as the 39<sup>th</sup> or 40<sup>th</sup> state (with its twin, North Dakota). South Dakota has 75,885 square miles of land and a population estimated to be 0.9 million. As established in Article II of the *Constitution of The State of South Dakota*, State government is comprised of three distinct and separate branches of government: legislative, executive, and judicial. The State Legislature is composed of a 35-member Senate and a 70-member House of Representatives. Legislators are elected for two-year terms and limited to four consecutive terms for the same seat. The State has a strong executive branch with a 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 judicial branch is governed by the Unified Judicial System consisting of the Supreme Court, circuit courts, and courts of limited jurisdiction. The State's principal state officials, functions of state government, and organizational chart for the fiscal year 2018 can be found immediately following this letter.

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

**State Reporting Entity.** The State's reporting entity reflected in the CAFR includes the *primary government* and its *component units*. The *primary government* consists of state departments, bureaus, boards, and commissions within the three separate branches of government. *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. These relationships are fully described in *Note 1. Summary of Significant Accounting Policies* in the Notes to the Financial Statements. The financial statements emphasize the *primary government* and permit financial statement users to distinguish between the *primary government* and its *component units*. Consequently, this letter of transmittal, the MD&A, and the Basic Financial Statements focus on the *primary government* and its activities. Although information pertaining to the *component units* is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position. Higher Education and the South Dakota Value Added Finance Authority do not have separately issued financial statements but are included as part of the CAFR.

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

All of the State's major governmental funds are either annually appropriated by the South Dakota Legislature (General Fund, Transportation, and Social Services Federal funds) or are continuously appropriated by state law (Dakota Cement Trust and Education Enhancement Trust funds).

**Long-term Financial Planning and Financial Policies.** Governor Daugaard is committed to the long-term strength and financial condition of the State and pledges to never lose sight of those values that keep our state strong. In doing so, he has implemented the following long-term financial planning and financial policies:

- **Maintaining AAA bond rating.** The State has maintained its AAA public issuer rating from Standard & Poor's, Fitch Ratings, and Moody's for the past two consecutive fiscal years. This represents the highest rating possible from all three bond rating agencies. This goal was achieved by operating the State government under several basic principles: a long history of maintaining a structurally balanced budget, maintaining ample reserve balances, low debt, a healthy pension system, no Other Post-Employment Benefits (OPEB) liability, timely and accurate financial reporting, long-term financial planning and budget forecasting, and consistent conservative fiscal operations.
- **Long-term Financial Planning.** To further strengthen the financial practices of the State, state law requires the Bureau of Finance and Management (BFM) to prepare and provide a Long-term Financial Plan, a Capital Expenditure Plan, and a Debt Limitation and Management Policy.

The Long-term Financial Plan contains projections of both revenues and expenditures of the State. The document gives revenue and expenditure history for the most recently completed fiscal year, and forecasts for the current fiscal year, the next fiscal year, and the succeeding two fiscal years. Projections are shown for all general fund revenue sources, as well as general fund budgets for all state agencies.

The Capital Expenditure Plan includes capital projects being considered over the course of the next five fiscal years and separates the projects into three main categories: new construction, expansion, and maintenance and repair. This plan presents a projection of funding sources and costs for each project, as well as provides other detailed information that adds awareness and understanding into the need and scope of each project.

The Debt Limitation and Management Policy lays out policies pertaining to the issuance, maintenance, and servicing of debt. State law limits the amount of outstanding debt of the State to 1.2% of South Dakota's gross domestic product, while debt service payments may not exceed 4% of the total ongoing general fund receipts. This plan outlines the current debt policies, financial analysis, and other metrics to measure compliance with these statutory debt limits.

The long-term planning documents provide an early detection system, help prioritize capital planning, govern and limit indebtedness, and allow for greater transparency. These documents can be found on the Bureau of Finance and Management's website at <https://bfm.sd.gov>.

- **Balanced Budget.** South Dakota can proudly say that fiscal year 2018 was the 128<sup>th</sup> consecutive year the State had a balanced budget. The State has made structurally balanced budgets the norm by using one-time dollars prudently for one-time uses and not to fund ongoing obligations.

The Constitution of the State of South Dakota requires the Governor to propose, and the Legislature to pass, an annual budget in which expenditures and appropriations may not exceed anticipated revenue. Additionally, state law requires BFM and the Legislature to prepare separate and independent revenue estimates for the budgeting process and update those during the fiscal year. In years when actual revenues fall short, the State maintains a balanced budget through spending cuts. These steps set a good fiscal example as well as help maintain fiscal responsibility and financial stability in South Dakota.

- **Budget Reserve.** The State has two statutorily created reserve accounts: the General Fund Budget Reserve and the General Revenue Replacement Fund. As indicated in the table below the State has prudently maintained "rainy day" funds of 10% of the General Fund expenditures while using the excess to address emergencies and prepay liabilities.

**Budget Reserves**  
(Expressed in Millions)

As of June 30	General Fund Budget Reserve	General Revenue Replacement Fund	Property Tax Reduction Fund	Total Reserves	General Fund Expenditures	Total Reserves As Percentage of General Fund Expenditures
2011	\$ 43.4	\$	\$ 67.8	\$ 111.2	\$ 1,126.5	9.87%
2012	71.1		67.9	139.0	1,225.2	11.35%
2013	95.3		67.8	163.1	1,278.8	12.75%
2014	105.2		48.2	153.4	1,413.9	10.85%
2015	126.7		44.6	171.3	1,440.0	11.90%
2016	113.4	44.0		157.4	1,514.0	10.40%
2017	121.3	44.0		165.3	1,598.2	10.34%
2018	132.4	44.0		176.4	1,628.8	10.83%

The combined accrual basis balance of these two reserve accounts for fiscal year 2018 was \$176.4 million. The General Fund Budget Reserve increased from \$121.3 million to \$132.4 million, while the General Revenue Replacement Fund remained unchanged at \$44.0 million. The \$11.1 million increase from the prior year was a result of spending \$10.7 million less than appropriated and \$6.3 million higher than expected revenues, offset by a \$5.9 million legislatively approved transfer to the General Fund to support state aid to education. The \$176.4 million combined reserve balances is approximately 10.8% of the fiscal year 2018 General Fund total expenditures.

- **Financially Sound and Well-Funded Retirement System.** South Dakota has one of the strongest pension plans in the nation. As illustrated in the table to the right, the long-term experience of South Dakota Retirement System (SDRS) has been very favorable, resulting in a funded status that exceeds virtually all other statewide public retirement plans.

This high funding status is attributed to three primary factors: 1) the employers and members of SDRS have always made the required contributions into the fund, 2) sound long-term investment returns, and 3) plan benefits and liabilities are managed in accordance with statute to be sustainable based on the fixed, statutory contribution rates. SDRS is discussed later in this document.

- **Comprehensive Annual Financial Report.** In 1987, the State issued its first CAFR. That report contained an unmodified opinion from the Department of Legislative Audit (the independent auditors). The Independent Auditor's Report included in this report represents the 32<sup>nd</sup> consecutive year South Dakota has received an unmodified opinion on its CAFR.

As of June 30	SDRS	Projected Average of Other Statewide Public Retirement Plans **
2009	91.8%	64%
2010	96.3%	68%
2011	96.4%	74%
2012	92.6%	72%
2013	100.0%	72%
2014	107.3%	77%
2015	104.1%	73%
2016	96.9%	67%
2017	100.1%	70%
2018	100.0%	71%

\*\* Wilshire Consulting Report on State Retirement Systems: Funding Levels and Asset Allocation.

- **Risk Management.** The Office of Risk Management 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 within the Office of Risk Management 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). New in fiscal year 2018, the State obtained cyber liability insurance to help reduce the financial risk posed by conducting business over the Internet or other networks, or by using electronic storage technology. This insurance helps cover data breach risk such as an incident in which sensitive, protected, or confidential data has been viewed, stolen, or used by an individual unauthorized to do so.

The State utilizes two captive insurance companies to help minimize risk. One company provides property and casualty insurance coverage to better protect our State's and Higher Education's facilities. The other company provides commercial general liability; directors, officers, and entity coverage; and employment practices liability, and errors and omissions coverage for authorities of the State. By establishing the captive insurance companies, the State and the authorities of the State pay insurance premiums to these captive insurance companies. Over the long-term, premiums are anticipated to remain low and decrease while minimizing the risk of loss to the State and its component units. For additional information on the captive insurance companies see *Note 1. Summary of Significant Accounting Policies* in the Notes to the Financial Statements.

- **Internal Controls.** The State has robust internal controls designed to provide reasonable assurance the State is meeting its operational, reporting, and compliance objectives. This fact has been proven time and again that South Dakota is a leader in operational efficiencies, while maintaining sound safeguards of its assets and resources. Recently, some of the State's internal control practices have been recognized and adopted by national organizations as best practice templates for other governments. The State Board of Internal Control was created in 2016. The Board's primary responsibility is to establish and maintain guidelines for an effective system of internal control to be implemented by state agencies. To accomplish this, the Board has overseen work with the consulting firm PwC to draft a Statewide Internal Control Framework based on the COSO Internal Control Framework. The State is now working to implement the framework in all state agencies providing even more assurance to state leaders and citizens that they are achieving their objectives.

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

SDIC's goal is to add value over the long-term compared to market indexes. SDIC invests in assets believed to be undervalued from a long-term perspective. Cost efficiency is aided by internally managing the majority of the investment assets.

Total investment income from the assets invested by SDIC for fiscal year 2018 was \$1.1 billion. Income for the most recent five fiscal years totaled \$5.2 billion and, since inception, has exceeded \$17.8 billion. Assets managed by SDIC have grown from \$133.0 million at the end of its first year to \$14.8 billion at June 30, 2018. The Cash Flow Fund total investment income was \$3.3 million in fiscal year 2018, yielding 1.19%, and has earned \$1.1 billion over the past 46 years. The four state trust funds returned 6.8% compared to the benchmark of 6.8% for fiscal year 2018. The four funds distributed over \$51 million during fiscal year 2018. The South Dakota Retirement System's (SDRS) assets returned 7.9%, net of fees, for fiscal year 2018 compared to SDIC's Capital Markets Benchmark return of 7.3% and returned 10.2%, net of fees, compared to the benchmark return of 9.4% for the past 45 years (since inception of SDIC's investment management responsibilities for SDRS).

Additional information can be found in *Note 3. Cash, Deposits, and Investments* in the Notes to the Financial Statements and on SDIC's website at <http://sdic.sd.gov>.

**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 approval for multi-state lotto games was given during the 1990 legislative session. The purpose of the Lottery is to provide the State additional revenues to fund vital public programs and projects. During fiscal year 2018, the Lottery generated \$124.9 million of income (before transfers) and provided \$124.7 million in transfers to other funds that improve the quality of life in South Dakota. Since its inception in 1987, the Lottery has distributed \$2.8 billion to those funds.

**Retirement System.** The South Dakota Retirement System (SDRS) 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 fixed percentage of employee compensation.

SDRS funding is determined based on actuarial assumptions that are more conservative than most public pension plans, including an annual investment return assumption of 6.50% and assumed inflation of 2.25%. The actuarial value of assets is equal to the fair value of assets.

Certain SDRS benefit features, including the Cost of Living Adjustment (COLA) and the Variable Retirement Account for Generational members (those hired after June 30, 2017) vary automatically based on investment returns and the assets available to pay future benefits. SDRS COLA increases are tied to inflation and limited to the percentage that if paid in future years, results in an SDRS fair value funded ratio of at least 100%. If the automatic COLA adjustments are not able to result in a fair value funded ratio of at least 100%, corrective action recommendations are immediately required. As a result, future unfunded actuarial accrued liabilities are expected only in significant economic downturns and are expected to be temporary until resolved by corrective actions during the following legislative session.

In fiscal year 2018, SDRS experienced a 7.94% (time-weighted) market return, or 1.44% more than the assumed rate of return of 6.5%. Plan assets at fair value in fiscal year 2018 were \$12.2 billion compared to plan assets of \$5.6 billion in fiscal year 2009.

As previously stated, as of June 30, 2018, SDRS is fully funded with an actuarial value funded ratio and a fair value funded ratio of 100.0%. SDRS currently has no unfunded actuarial accrued liability (UAAL). The fixed statutory employer and employee contributions support benefits that vary automatically from year-to-year based on investment returns and the assets available to pay future benefits. If after recognizing the automatic benefit adjustments the funded ratio of the system is below 100% or the fixed contributions are not sufficient to support the current benefits as defined in statute, the SDRS Board of Trustees is required by statute to recommend corrective actions to the Legislature.

South Dakota Retirement System was one of the few state government retirement systems in the nation to boast a net pension asset in fiscal years 2014, 2015, 2017, and 2018 with a relatively small net pension liability in 2016.

### South Dakota Retirement System

<u>As of June 30</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Fair Value Funded Ratio</u>	<u>Primary Government's Proportionate Share</u>	<u>Primary Government's Net Pension Asset (Liability)</u>
2014	\$9.9 billion	\$10.6 billion	107.3%	22.1%	\$159.0 million (FY15)
2015	10.4 billion	10.8 billion	104.1%	22.4%	95.2 million (FY16)
2016	10.8 billion	10.5 billion	96.9%	22.3%	(75.2 million) (FY17)
2017	11.6 billion	11.6 billion	100.1%	21.6%	2.0 million (FY18)
2018	12.2 billion	12.2 billion	100.0%	21.0%	0.5 million (FY19)

Additional information on the State's retirement plans and the related net pension liability can be found in *Note 7. Retirement Plans* 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. However, an insurance carrier provides claims administration services for health insurance. The Group Insurance Program within the Bureau of Human Resources was established to administer and improve group health, life, and the flexible benefit plans for state employees and their dependents. The program provides for payment of benefits to eligible claimants in the most efficient and cost effective manner. Premiums are charged to state funds for all covered employees, while employees share in the costs of co-pays, deductibles, and dependent costs.

Additional information on the State's health and other insurance benefits can be found in *Note 12. Self Insurance* in the Notes to the Financial Statements.

### ECONOMIC CONDITIONS AND OUTLOOK

Employment growth is an important indicator of the State's economic health. South Dakota's nonfarm employment declined 1.9% in 2009 and 0.1% in 2010 but rebounded with an average growth rate of 1.1% from 2011 through 2017. This compares to the United States nonfarm employment growth of -4.3% in 2009, -0.7% in 2010, and average growth of 1.7% from 2011 through 2017.

In fiscal year 2018, nonfarm employment in South Dakota grew 0.9% compared to the national growth rate of 1.5% over the same period. Employment sectors that experienced growth in fiscal year 2018 in South Dakota include: manufacturing; financial activities; professional and business services; education and health services; and other services and government. The employment sectors that experienced decreases include: mining, logging, and construction; information; trade, transportation, and utilities; and leisure and hospitality.

The unemployment rate in South Dakota remained low over the course of fiscal year 2018 and remains among the lowest in the nation due to steady economic growth. In October 2018, South Dakota's unemployment rate was 3.0%, which is 0.7% lower than the U.S. unemployment rate of 3.7% for the same month.

Income growth is another important indicator of the State's economic health. In calendar year 2017, which is the most recent annual data that is available, South Dakota's nonfarm personal income grew 2.1% less than the U.S. growth rate of 4.4%. However, over the past four years (2014 to 2017), South Dakota's average annual growth of nonfarm personal income has been 4.7%, slightly higher than the national average growth rate of 4.5% over that period. In 2017, the other Plains region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced nonfarm income growth rates of 2.5%, 2.7%, 4.4%, 3.5%, 3.5%, and 1.2%, respectively. South Dakota's per capita personal income was \$48,818 in 2017, 5.5% less than the U.S. average per capita income of \$51,640.

In 2017, farm income in South Dakota was \$0.9 billion, which is down from record levels that were experienced from 2011 through 2014. From 2011 through 2014, farm income averaged \$3.0 billion per year, with 2011 having the highest farm income on record in South Dakota at \$3.6 billion. This compares to the previous five-year average farm income



level (2005 through 2009) of \$1.6 billion. Farm income for 2018 is anticipated to be similar or slightly higher compared to 2017 levels in South Dakota as higher crop production is partially offset by lower prices so far this year.

The outlook for South Dakota's economy is for steady growth over the next two years, slightly stronger than what has been experienced the past two years. As of October 2018, South Dakota's nonfarm employment levels were 7,300 jobs, or 1.7% higher when compared to a year earlier. In addition, the unemployment rate in South Dakota is currently at 3.0%, lower than the U.S. unemployment rate of 3.7% as of October 2018. South Dakota's nonfarm income was up 3.6% year-over-year in the second quarter of 2018.

## **MAJOR INITIATIVES**

With the continued support of the Legislature, Governor Dugaard continues to focus on job growth, economic development and visitor spending, taking care of those who cannot take care of themselves, providing our children with a quality education, and protecting our society from those who would do us harm.

Listed below are some of the major initiatives the State has implemented in recent years:

**Internet Sales Tax - South Dakota v. Wayfair, Overstock and Newegg.** In 2016 the Legislature passed Senate Bill 106. This law required any online seller to collect and remit South Dakota sales or use tax on sales to customers within the state if, in a calendar year, the seller had more than \$100,000 in gross sales, or over 200 individual sales transactions in the state. South Dakota then initiated litigation against three online retailers who did not collect South Dakota sales tax. In June 2018, the U.S. Supreme Court ruled in favor of South Dakota. This decision redefines sales tax nexus and allows states with economic nexus laws like South Dakota to require out-of-state sellers to collect and remit sales or use tax on goods or services the seller provides to consumers in the state, even if the seller has no physical presence in the state. This decision not only puts South Dakota brick-and-mortar retailers on a level playing field with remotes sellers, it also reestablishes a sales tax base the State has been losing to remote sellers.

**Precision Agriculture.** As an agricultural state, South Dakota is taking steps to lead the way in technology advancements in agriculture. In 2016 South Dakota State University (SDSU) became the first land grant university to offer both a major and minor in precision agriculture. The Precision Agriculture major prepares students for careers that bridge the gaps between agronomy, agriculture machinery management, and data sciences caused by the rapid evolution of high-speed sensor technology. Precision technology and training are key to increasing farm profitability and will play a major role in ecosystem sustainability. Agriculture is experiencing a fast-paced evolution as technology continues to develop. The integration of computer technology with farm equipment, farm sensors, GPS navigation, satellite imagery, and drone imagery are quickly revolutionizing agricultural production.

The 2018 Legislature took further steps to strengthen the State's commitment to precision agriculture by appropriating funding to the new Raven Precision Agriculture Center on the campus. This funding begins a partnership between public and private contributions and SDSU commitments to funding the \$46.1 million project. The project is being designed for bidding in the spring of 2019. SDSU anticipates construction beginning in the late summer of 2019, and that the building will be ready for occupancy in the fall of 2021. The Raven Precision Agriculture Center will be a two story, collaborative classroom, class/laboratory, and research laboratory facility. This new 130,000 square foot facility will be prominently located in the northwest corner of the SDSU campus.

**State Animal Disease Research and Diagnostic Laboratory.** Today, livestock are moved longer distances and more often, which creates the potential for diseases to be transmitted across states, regions, and countries. These livestock diseases have the potential to disrupt the overall economy, let alone the Agriculture Industry. South Dakota has taken this threat seriously and the State Animal Disease Research and Diagnostic Laboratory (ADRDL) on the Campus of the South Dakota State University is dedicated to identifying animal disease, establishing new protocols to distinguish unique disease strains, and developing vaccines and other treatments to directly assist veterinarians, ranchers, farmers, pet owners, wildlife managers, and public health officials. As the result of 2017 legislative appropriations, the State broke ground on August 31, 2017 on the new ADRDL building project. This \$61.4 million investment is designed to accommodate technological advancements, meet new federal laboratory safety requirements, and keep South Dakota current with the National Animal Health Laboratory Network standards. The new building and upgrades to existing facilities will allow timely veterinary diagnostic services in response to the growing demand for accurate identification of foreign, emerging, and exotic diseases.

## **AWARDS AND ACKNOWLEDGMENTS**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Dakota for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR required the collective efforts of many financial personnel throughout the State from various agencies and departments. I sincerely appreciate the dedicated efforts of all of these individuals. I would like to recognize and commend the efforts of the accounting staff of each state agency and the staff of the Department of Legislative Audit. I would also like to acknowledge the Bureau of Finance and Management staff, Keith Senger, Robert Norwick, Lori Sears, Amanda Werre, Darcy McGuigan, David Goldammer, Dominique Ruppelt, Mark Edwardson, Amy Juso, Lacey Walz, Brian Englund, Jacob Harris, and Adam Hansen 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,



Liza Clark, Chief Financial Officer  
Bureau of Finance and Management



Government Finance Officers Association

**Certificate of  
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for Excellence  
in Financial  
Reporting**

Presented to

**State of South Dakota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

***SOUTH DAKOTA  
FY2018 PRINCIPAL STATE OFFICIALS***

***EXECUTIVE BRANCH***

The Honorable Dennis Daugaard, Governor  
The Honorable Matt Michels, Lieutenant Governor

***CONSTITUTIONAL OFFICERS***

The Honorable Marty J. Jackley, Attorney General  
The Honorable Shantel Krebs, Secretary of State  
The Honorable Rich Sattgast, Treasurer  
The Honorable Steve Barnett, Auditor  
The Honorable Ryan Brunner, Commissioner, School and Public Lands

***PUBLIC UTILITIES COMMISSION***

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

***LEGISLATIVE BRANCH***

The Honorable Brock Greenfield  
Senate President Pro Tempore

The Honorable G. Mark Mickelson  
Speaker of the House

The Honorable R. Blake Curd  
Senate Majority Leader

The Honorable Billie Sutton  
Senate Minority Leader

The Honorable Lee Qualm  
House Majority Leader

The Honorable Spencer Hawley  
House Minority Leader

***JUDICIAL BRANCH***

The Honorable David E. Gilbertson  
Chief Justice

The Late Honorable Steven L. Zinter  
Associate Justice

The Honorable Glen A. Severson  
Associate Justice

The Honorable Janine M. Kern  
Associate Justice

The Honorable Steven R. Jensen  
Associate Justice

# ***SOUTH DAKOTA FY2018 FUNCTIONS OF STATE GOVERNMENT***

## ***GENERAL GOVERNMENT***

Executive Management  
Revenue  
Lottery  
Legislature  
School and Public Lands  
Secretary of State  
State Treasurer  
State Auditor

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

Social Services  
Health  
Labor and Regulation  
Veterans' Affairs  
Human Services  
Retirement System

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

Corrections  
Unified Judicial System  
Attorney General  
Public Safety  
Military  
Appraiser Program  
Labor Financial Services  
Labor Boards and Commissions  
Revenue – Commission on Gaming  
Public Utilities Commission

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

Agriculture  
Game, Fish and Parks  
Environment and Natural Resources

## ***TRANSPORTATION***

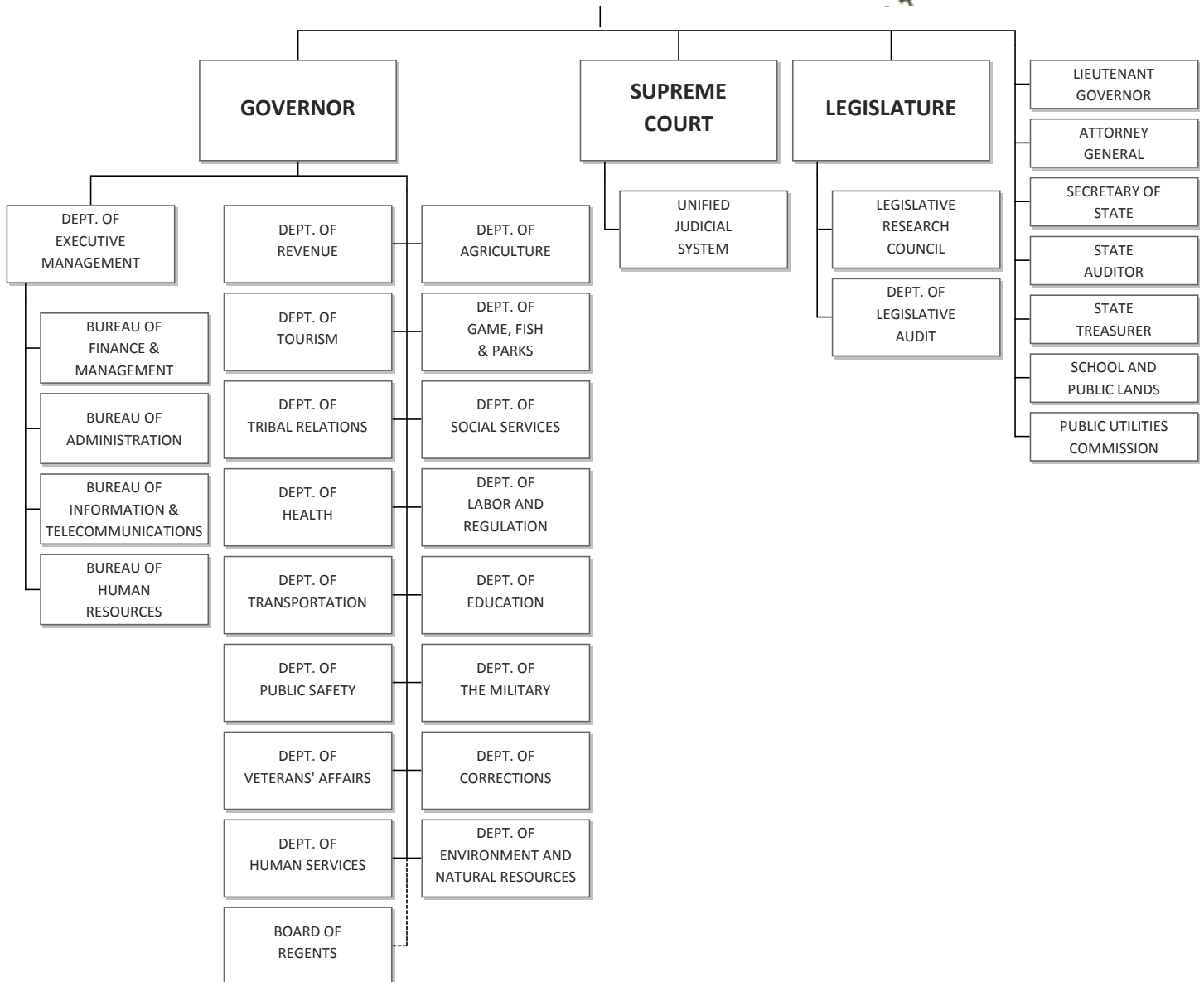
Transportation

## ***EDUCATION***

Education  
Elementary, Secondary, and Vocational  
Schools  
Higher Education  
State Aid to Universities

## ***ECONOMIC RESOURCES***

Tourism  
Economic Development  
Tribal Relations





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*FINANCIAL SECTION*

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*FINANCIAL SECTION*

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

MARTIN L. GUINDON, CPA  
 AUDITOR GENERAL

## INDEPENDENT AUDITOR'S REPORT

The Honorable Dennis Daugaard  
 Governor of South Dakota

and

Members of the Legislature  
 State of South Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Dakota (State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Development Authority, the South Dakota Ellsworth Development Authority and foundations of Higher Education. Those financial statements reflect total assets and deferred outflows of resources and revenues and additions of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as follows:

	<u>Percent of Total Assets*</u>	<u>Percent of Total Revenues/Additions</u>
Government-wide financial statements:		
Business-type activities:		
Unemployment Insurance Fund	11.9%	13.4%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Development Authority	39.4%	5.4%
South Dakota Ellsworth Development Authority	.6%	1.5%

Foundations of Higher Education	17.2%	15.1%
Aggregate remaining fund information:		
Unemployment Insurance Fund	.9%	1.0%
South Dakota Retirement System	89.1%	32.7%

\* including deferred outflows of resources

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units (foundations) of Higher Education were not audited in accordance with *Government Auditing Standards*.

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

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

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 32, the budgetary comparison schedules on pages 120 through 135, and the Schedules of Proportionate Share of the Net Pension Liability (Asset), and Employer Contributions on pages 136 through 137 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The supplementary information, such as the combining and individual fund financial statements on pages 140 through 175 and the other information, such as the introductory and statistical sections on pages 1 through 12 and 177 through 197, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Martin L. Guindon, CPA  
Auditor General

December 28, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following is a discussion and analysis of the State of South Dakota's (hereinafter referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2018. This document begins with a one-page summary of financial highlights, followed by a more detailed overview of the financial statements and financial analysis. Please read it in conjunction with the transmittal letter found on page 1 in the *Introductory Section* of this report and with the State's financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

#### *Government-wide Financial Statements*

- Total assets and deferred outflows of resources of the State exceeded its total liabilities and deferred inflows of resources at the close of the fiscal year by \$6.8 billion (reported as net position). Of this amount, \$5.8 billion is restricted for specific uses or invested in capital assets. The remaining \$1.0 billion is unrestricted and may be used to meet the government's ongoing obligations. However, certain resources within this unrestricted net position have internally imposed limitations that are discussed within the *Government-wide Financial Analysis* section of this document.
- The State's total net position increased by \$293.3 million, or 4.5% from the prior fiscal year. Net position of Governmental Activities increased by \$268.5 million, or 4.6%, while net position of Business-type Activities increased by \$24.7 million, or 3.5% over the prior fiscal year.
- Discretely presented component units reported total net position of \$2.3 billion, an increase of \$141.8 million, or 6.5% from the prior fiscal year.

#### *Fund Financial Statements*

- The State's governmental funds reported combined ending fund balances of \$2.0 billion, an increase of \$87.3 million, or 4.5% from the prior fiscal year. Of the \$2.0 billion in combined ending fund balance, \$569.5 million is nonspendable and \$1.1 billion is restricted by outside sources or enabling legislation. Another \$36.9 million is committed by state law and \$78.2 million has been assigned for various specific purposes. The remaining \$256.3 million is unassigned. Please refer to *Note 10. Fund Balance and Net Position* in the Notes to the Financial Statements for further explanation and breakdown of these balances. Certain resources within the \$256.3 million of the unassigned fund balance have internally imposed limitations that are discussed throughout the *Financial Analysis of the State's Funds* section of this document.
- At the end of the fiscal year, the General Fund had a fund balance of \$338.1 million. This includes budget reserves in General Fund Budget Reserve and General Revenue Replacement balances of \$132.4 million and \$44.0 million, respectively.
- The State's three trust funds (Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust all reported as special revenue funds) and the State's Permanent Fund all increased in value during the fiscal year because strong investment earnings and transfers into these funds exceeded statutory disbursements. After transferring a combined amount of \$38.5 million to the General Fund, these funds closed the fiscal year with a combined ending fund balance of \$1.1 billion, an increase of \$65.9 million.
- Proprietary funds reported net position at fiscal year-end of \$761.6 million, an increase of \$28.7 million, or 3.9% from the prior fiscal year.

#### *Long-Term Debt*

- The primary government's total long-term debt (revenue bonds and capital leases) as of June 30, 2018, totaled \$602.7 million, an increase of \$33.8 million from the last fiscal year-end. The increase represents the net difference between new issuances, payments, and the refunding and defeasance of outstanding debt.
- The South Dakota Conservancy District issued \$94.6 million in revenue bonds for Business-Type Activities of the primary government. A portion of these bonds were used for advanced refunding of prior issued bonds. The advanced refunding resulted in a net economic gain of \$3.4 million.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the State's Basic Financial Statements. The State's Basic Financial Statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains Required Supplementary Information and Other Supplementary Information in addition to the Basic Financial Statements.

### **Government-wide Financial Statements (Reporting the State as a whole)**

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

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

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

- **Governmental Activities.** Most of the State's services provided to the citizens of the State are reported with the Governmental Activities. The Governmental Activities of the State include the following:
  - General government
  - Education – elementary, secondary, and vocational schools
  - Education – state support to higher education
  - Health, human, and social services
  - Law, justice, public protection, and regulation
  - Agriculture and natural resources
  - Economic resources
  - Transportation
  - Intergovernmental – payments to school districts
  - Intergovernmental – revenue sharing
  - Unallocated interest expense
  - 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 operates Business-type Activities much like private-sector companies by charging fees to customers to help cover all or most of the costs of certain services it provides. The Lottery Fund is an example of a Business-type Activity.

- **Discretely Presented Component Units.** Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading or incomplete. The following entities are included in the component unit columns of the State's Government-wide Financial Statements:
  - South Dakota Housing Development Authority
  - South Dakota Science and Technology Authority
  - Higher Education
  - South Dakota Economic Development Finance Authority
  - South Dakota Value Added Finance Authority
  - South Dakota Ellsworth Development Authority
  - The South Dakota Authority Captive Insurance Company, LLC
  - The South Dakota Property and Casualty Captive Insurance Company, LLC

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. Summary of Significant Accounting Policies* in the Notes to the Financial Statements.

## **Fund Financial Statements**

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

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

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

The State maintains many 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 accrual basis of accounting.

- Enterprise funds (e.g., Lottery Fund) are used to account for activities that largely involve customers outside of state government and are reported as Business-type Activities in the Government-wide Financial Statements.
- 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 Statements because those services predominantly benefit Governmental rather than Business-type Activities.

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

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

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

### ***Notes to the Financial Statements***

The Notes to the Financial Statements are an integral part of the financial statements and provide additional narrative and financial information essential to fully understand the data provided in the Government-wide Financial Statements and the Fund Financial Statements. The Notes to the Financial Statements are located immediately following the fiduciary funds' financial statements.

### ***Required Supplementary Information***

The Basic Financial Statements are followed by a section of Required Supplementary Information. This section includes Budgetary Comparison Schedules and related notes; and two pension-related schedules.

The Budgetary Comparison Schedules are 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. These schedules present the original and final appropriated expenditure budgets and estimated receipts (General Fund only) for the fiscal year. The Budgetary Comparison Schedule also lists the actual inflows and 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 inflows and outflows to GAAP revenues and expenditures.

The pension related schedules include a Schedule of Proportionate Share of Net Pension Liability (Asset) and a Schedule of Contributions. The first schedule highlights key amounts relating to the State's share of the Net Pension Liability (Asset). The second schedule illustrates contributions as a percentage of the State's covered-employee payroll.

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

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



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

As presented in the following table, total assets and deferred outflows of resources of the State on June 30, 2018 were \$7.9 billion, while total liabilities and deferred inflows of resources were \$1.1 billion, resulting in combined net position (Governmental and Business-type Activities) of \$6.8 billion, a 4.5% increase from the previous year. As discussed later in this document, a significant portion of this increase is directly attributed to increases in capital assets and strong returns on investment in the State's three trust funds and the Permanent Fund.

**State of South Dakota**  
**Net Position as of June 30**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	
Current and Other Assets, as restated	\$ 2,466,810	\$ 2,385,360	\$ 1,004,351	\$ 930,588	\$ 3,471,161	\$ 3,315,948	4.7%
Capital Assets	4,228,204	4,142,238	7,029	7,051	4,235,233	4,149,289	2.1%
<b>Total Assets</b>	<b>6,695,014</b>	<b>6,527,598</b>	<b>1,011,380</b>	<b>937,639</b>	<b>7,706,394</b>	<b>7,465,237</b>	3.2%
<b>Deferred Outflows of Resources</b>	<b>211,080</b>	<b>182,209</b>	<b>14,076</b>	<b>8,921</b>	<b>225,156</b>	<b>191,130</b>	17.8%
Current and Other Liabilities	342,073	351,634	13,728	13,819	355,801	365,453	(2.6)%
Long-Term Liabilities Outstanding	439,910	539,007	289,219	235,838	729,129	774,845	(5.9)%
<b>Total Liabilities</b>	<b>781,983</b>	<b>890,641</b>	<b>302,947</b>	<b>249,657</b>	<b>1,084,930</b>	<b>1,140,298</b>	(4.9)%
<b>Deferred Inflows of Resources</b>	<b>37,268</b>	<b>847</b>	<b>895</b>	<b>28</b>	<b>38,163</b>	<b>875</b>	4261.5%
<b>Net Position:</b>							
Net Investment in Capital Assets	4,051,612	3,961,256	7,027	7,060	4,058,639	3,968,316	2.3%
Restricted, as restated	1,751,888	1,589,767	6,782	5,085	1,758,670	1,594,852	10.3%
Unrestricted	283,343	267,296	707,805	684,730	991,148	952,026	4.1%
<b>Total Net Position</b>	<b>\$ 6,086,843</b>	<b>\$ 5,818,319</b>	<b>\$ 721,614</b>	<b>\$ 696,875</b>	<b>\$ 6,808,457</b>	<b>\$ 6,515,194</b>	4.5%
Percent of Total Primary Government Net Position	89.4%	89.3%	10.6%	10.7%	100.0%	100.0%	

In fiscal year 2018, Governmental Activities accounted for 89.4% of the State's total net position, and Business-type activities accounted for 10.6%, relatively unchanged from the prior fiscal year.

### Net Investment in Capital Assets

The largest component of the State's net position, \$4.1 billion or 59.6%, reflects investments in capital assets (land, land improvements, buildings, equipment, vehicles, infrastructure, intangible assets, and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. This represents a \$90.3 million, or 2.3% increase in the State's investment in capital assets from the prior fiscal year. This increase is primarily attributed to continued construction of infrastructure (highways and bridges) without the issuance of related debt. For more information please refer to the *Capital Assets and Debt Administration* section of this document and *Note 6. Capital Assets* in the Notes to the Financial Statements. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

### Restricted Net Position

Total restricted net position at year-end was \$1.8 billion, or 25.8% of total net position, an increase of \$163.8 million, or 10.3% from the prior fiscal year. The net position is subject to restrictions either: externally imposed by creditors (such as debt covenants), grantors, contributors, or laws/regulations of other governments, or imposed by law through constitutional provisions or enabling legislation on how they can be used.

A majority of the restricted net position is accounted for in the State's three trust funds and the State's Permanent Fund. Two of these trust funds (Education Enhancement Trust and Health Care Trust) and the Permanent Fund are held as permanent investments, either as nonexpendable (\$539.9 million) or expendable (\$241.1 million), and the third trust fund (Dakota Cement Trust) is restricted for education (\$325.5 million).

The combined fund balance of these four funds totals \$1.1 billion. Aside from the constitutionally authorized annual distributions, these funds can only be accessed through a constitutional amendment (Dakota Cement Trust and Permanent Fund) or by a three-fourths vote of the Legislature (Health Care Trust Fund and Education Enhancement Trust).

The remaining \$652.7 million of restricted net position is restricted for highways (\$191.9 million), pensions (\$175.6 million), agriculture and natural resources (\$75.6 million), economic development (\$52.6 million), railroads (\$30.3 million), and debt service (\$24.7 million), with the remaining amount for other purposes.

A majority of the \$163.8 million increase in the restricted net position is attributed to a \$70.1 million increase in the restricted for pensions, resulting from an increase in the net pension asset; and a \$56.9 million increase in the funds held for permanent investment (Education Enhancement Trust, Health Care Trust, and Permanent funds). These governmental funds, and the South Dakota Retirement System (SDRS) experienced strong investment returns during the fiscal year which grew the fund balance and SDRS net pension asset from the prior fiscal year. Additionally, as discussed later in the MD&A, the Education Enhancement Trust experienced a significant onetime increase in transfers into the fund.

### ***Unrestricted Net Position***

The remaining net position balance, \$1.0 billion, or 14.6% is defined by accounting standards as “unrestricted” net position. However, some of the unrestricted net position balances cannot be used to meet the State’s general ongoing obligations to citizens and creditors as resources because of limitations imposed by federal regulations, bond covenants, constitutional provision, or state law. Limitations on unrestricted net position imposed by federal regulations and bond covenants include \$242.9 million within the Clean Water State Revolving Fund and \$196.5 million within the Drinking Water State Revolving Fund. Other federal and state regulation limitations include, but are not limited to, \$114.9 million within the Revolving Economic Development and Initiative Fund, \$121.8 million for unemployment insurance claims, and \$8.6 million for revolving loan programs.

Those funds with limitations imposed by state law include the following:

- ***General Fund Budget Reserve*** (\$132.4 million). The 1991 South Dakota Legislature established a General Fund Budget Reserve (GFBR) 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 house 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. Revenues deposited in the GFBR include unobligated General Fund cash remaining at the end of a fiscal year up to an amount equal to 10% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year.

The balance in the GFBR at June 30, 2018 was \$132.4 million, an increase of \$11.1 million from the prior fiscal year. This transfer into the GFBR as required by law was the result of \$10.7 million of underspent general fund budgets and \$6.1 million higher than expected revenues offset by a \$5.9 million legislatively approved transfer to the General Fund to support state aid to education.

- ***General Revenue Replacement Fund*** (\$44.0 million). House Bill 1050, passed during the 2015 Legislative Session, created the “General Revenue Replacement Fund” (GRRF). This fund is to be used to balance the General Fund annual budget due to an unforeseen revenue shortfall. This fund replaces the Property Tax Reduction Fund (PTRF) and the June 30, 2015 balance in the PTRF was transferred into the GRRF. Revenues deposited in the GRRF include unobligated General Fund cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, if the amount in the GRRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fiscal year 2018 beginning and ending balance in the GRRF remained unchanged at \$44.0 million.

The unrestricted net position increased by \$39.1 million, or 4.1% during the fiscal year. A significant portion of this increase is attributed to the \$11.1 million increase in the General Fund Budget Reserve (as discussed above) and increases in the fund balance reported in the Clean Water State Revolving (\$12.3 million) and the Drinking Water (\$3.8 million) State Revolving funds. For analysis on these two funds, please see the *Financial Analysis of the State’s Funds* section in this document. Additionally, the Unemployment Insurance Fund reported a \$6.7 million increase in net position because the payments for unemployment benefit claims were lower than expected causing the unemployment insurance tax rates and investment income to exceed the claim payments. Most of the remainder is attributed to small changes in unassigned fund balance in the General Fund as discussed later in the MD&A.

## Changes in Net Position

The following table summarizes financial information derived from the Government-wide Statement of Activities and reflects how the State's net position changed during fiscal year 2018:

**State of South Dakota**  
**Change in Net Position**  
**for the Fiscal Year Ending June 30**  
(Expressed in Thousands)

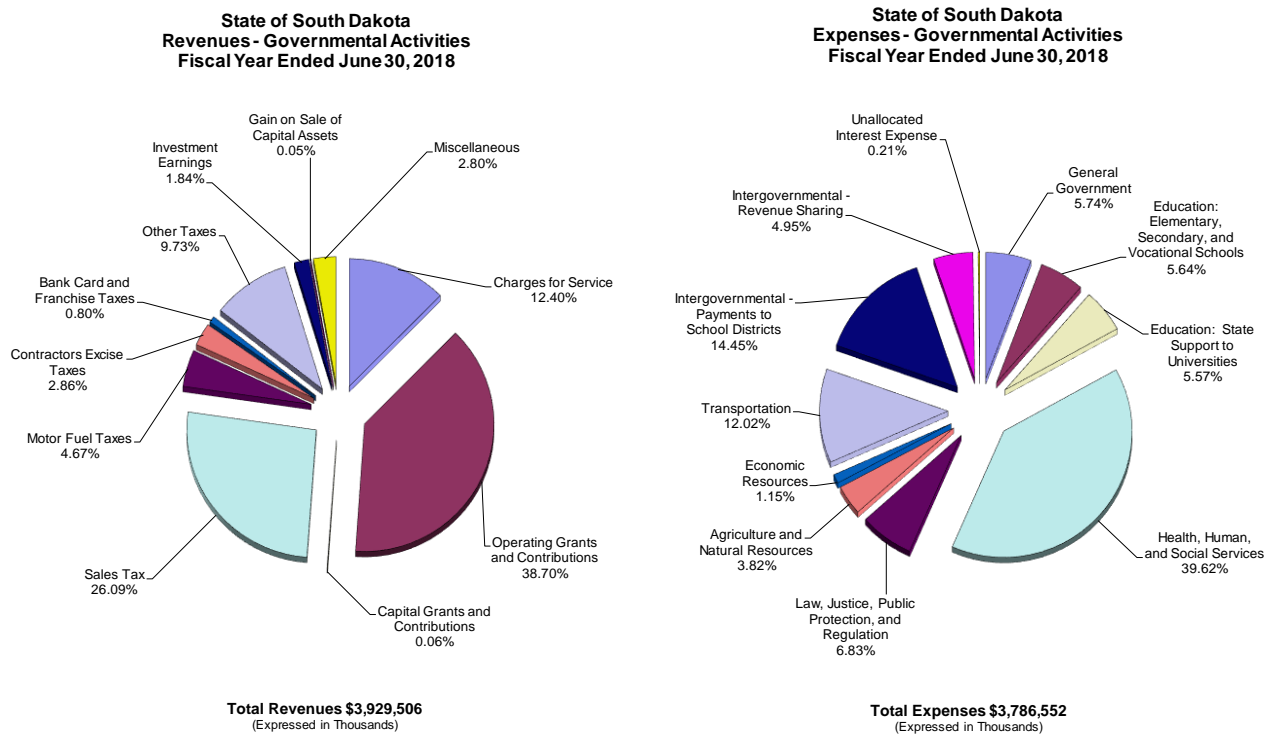
	Governmental Activities		Business-type Activities		Total Primary Government		% of Change
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017	
<b>Revenues:</b>							
Program Revenues:							
Charges for Service, as restated	\$ 487,162	\$ 481,301	\$ 242,740	\$ 236,839	\$ 729,902	\$ 718,140	1.6%
Operating Grants and Contributions	1,520,834	1,553,460	30,971	25,334	1,551,805	1,578,794	(1.7)%
Capital Grants and Contributions	2,342	3,886	84	426	2,426	4,312	(43.7)%
General Revenues:							
Sales Taxes	1,025,111	991,155			1,025,111	991,155	3.4%
Motor Fuel Taxes	183,441	183,795			183,441	183,795	(0.2)%
Contractors Excise Taxes	112,518	106,834			112,518	106,834	5.3%
Bank Card and Franchise Taxes	31,448	32,844			31,448	32,844	(4.3)%
Other Taxes	382,375	371,864			382,375	371,864	2.8%
Investment Earnings	72,379	109,684			72,379	109,684	(34.0)%
Gain on Sale of Capital Assets	1,737	1,463			1,737	1,463	18.7%
Miscellaneous	110,159	80,500			110,159	80,500	36.8%
<b>Total Revenues, as restated</b>	<b>3,929,506</b>	<b>3,916,786</b>	<b>273,795</b>	<b>262,599</b>	<b>4,203,301</b>	<b>4,179,385</b>	0.6%
<b>Program Expenses:</b>							
General Government	217,355	198,531			217,355	198,531	9.5%
Education – Elementary, Secondary, and Vocational Schools	213,449	223,668			213,449	223,668	(4.6)%
Education – State Support to Higher Education	210,972	206,253			210,972	206,253	2.3%
Health, Human, and Social Services	1,500,037	1,503,967			1,500,037	1,503,967	(0.3)%
Law, Justice, Public Protection, and Regulation	258,727	294,852			258,727	294,852	(12.3)%
Agriculture and Natural Resources	144,690	161,412			144,690	161,412	(10.4)%
Economic Resources	43,560	52,771			43,560	52,771	(17.5)%
Transportation	455,118	459,424			455,118	459,424	(0.9)%
Intergovernmental – Payments to School Districts	547,119	516,880			547,119	516,880	5.9%
Intergovernmental – Revenue Sharing	187,573	176,836			187,573	176,836	6.1%
Unallocated Interest Expense	7,899	6,419			7,899	6,419	23.1%
Unallocated Depreciation	53	53			53	53	0.0%
Lottery			45,256	39,907	45,256	39,907	13.4%
Clean Water State Revolving			12,345	9,638	12,345	9,638	28.1%
Drinking Water State Revolving			10,314	7,511	10,314	7,511	37.3%
Other			55,571	60,920	55,571	60,920	(8.8)%
<b>Total Expenses</b>	<b>3,786,552</b>	<b>3,801,066</b>	<b>123,486</b>	<b>117,976</b>	<b>3,910,038</b>	<b>3,919,042</b>	(0.2)%
Excess (Deficiency) Before Transfers	142,954	115,720	150,309	144,623	293,263	260,343	
Transfers	125,570	120,283	(125,570)	(120,283)			
Change in Net Position	268,524	236,003	24,739	24,340	293,263	260,343	
Net Position – Beginning, as restated	5,818,319	5,582,316	696,875	672,535	6,515,194	6,254,851	
<b>Net Position – Ending, as restated</b>	<b>\$ 6,086,843</b>	<b>\$ 5,818,319</b>	<b>\$ 721,614</b>	<b>\$ 696,875</b>	<b>\$ 6,808,457</b>	<b>\$ 6,515,194</b>	
Percent Change in Total Net Position from prior year	4.6%		3.5%		4.5%		

### Governmental Activities:

The State's net position for Governmental Activities at the end of fiscal year 2018 was \$6.1 billion. This represents an increase of 4.6% or \$268.5 million from the prior fiscal year.

The \$268.5 million increase in the State's net position for Governmental Activities was the result of the net effect of the following: (1) \$3.9 billion revenues (an increase from the prior fiscal year of \$12.7 million); less (2) \$3.8 billion expenses (a decrease from the prior fiscal year of \$14.5 million); plus (3) net transfers of \$125.6 million (primarily from the South Dakota Lottery Fund).

The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2018:



This fiscal year, the State received 44.2% of its revenues from taxes (sales, motor fuel, contractors excise, bank card, bank franchise, and other taxes), and 38.7% from federal grants and contributions. Charges for service accounted for 12.4%.

In fiscal year 2018, health, human, and social services (taking care of people) accounted for 39.6% of the State's expenses, followed by 25.7% to education (K-12 and post-secondary), 12.0% to transportation (constructing and maintaining roads and bridges), and 6.8% for law, justice, public protection, and regulation (protecting people).

Significant changes in revenues include a \$39.6 million increase in sales, use, and contractors excise tax due to a steadily growing economy with low unemployment rates; and a \$29.7 million increase in miscellaneous revenues attributed to increases in the Education Enhancement Trust Fund and an increase in unclaimed escheat property in the General Fund. Both of these increases are further discussed in the *Financial Analysis of the State's Funds* section in this document. These increases were offset with a \$32.6 million decrease in operating grants of which a majority is attributed to decreases in federal grant revenue in the Transportation fund. For more information, please refer to the Transportation Fund analysis in the *Financial Analysis of the State's Funds* section in this document. Additionally the state experienced a \$37.3 million decrease in investment earnings. Although the fiscal year 2018 investment earnings were strong, the Dakota Cement Trust, Education Enhancement Trust, Health Care Trust and Permanent funds investment earnings were less than that of the prior fiscal year due to less favorable markets. The total return for these funds was 6.8% during the fiscal year as compared to 11.5% from the prior fiscal year.

Significant changes in expenses include an increase of \$30.2 million in intergovernmental payments to school districts, which is further explained in the General Fund analysis of the *Financial Analysis of the State's Funds* section in this document. This increase is offset by decreases in expenses related to pensions across all functions of government.

**Business-type Activities:**

Net position of the Business-type Activities at the end of fiscal year 2018 was \$721.6 million, an increase of \$24.7 million due to total revenues exceeding total expenses and transfers out. Although net position for Business-type Activities only accounts for roughly 10.6% of the total net position, Business-type Activities provided \$125.6 million in net transfers to Governmental Activities to help fund current operations, most of which came from the South Dakota Lottery Fund.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

### Governmental Funds

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

As shown in the table below, at the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$2.0 billion, an increase of \$87.3 million during the fiscal year. Of this amount, approximately 28.1%, or \$569.5 million of the combined ending fund balance is nonspendable; either due to its form or legal constraints. The nonspendable portion is predominately made up of the Education Enhancement Trust, the Health Care Trust, and the Permanent funds to be held as permanent investments. Approximately 53.5%, or \$1.1 billion of the combined ending fund balance is restricted by outside sources or enabling legislation. Another 1.8%, or \$36.9 million of the combined balance is committed by state law and 3.9%, or \$78.2 million, has been assigned internally for specific purposes. The remaining \$256.3 million, or 12.7% is reported as unassigned in accordance with GASB Statement 54. Certain resources within the \$256.3 million of the unassigned fund balance have other internally imposed limitations as discussed below. For additional explanation and breakdown of these balances, see *Note 10. Fund Balance and Net Position* in the Notes to the Financial Statements.

**State of South Dakota**  
**Governmental Fund Balance as of June 30, 2018**  
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total	% of Total Fund Balance
Nonspendable	\$ 6,097	\$ 19,598	\$ 628	\$	\$ 397,235	\$ 145,924	\$ 569,482	28.1%
Restricted	3,300	183,660		325,465	184,978	386,859	1,084,262	53.5%
Committed						36,863	36,863	1.8%
Assigned	60,691		1,577			15,937	78,205	3.9%
Unassigned	268,052					(11,758)	256,294	12.7%
<b>Total Fund Balances</b>	<b>\$ 338,140</b>	<b>\$ 203,258</b>	<b>\$ 2,205</b>	<b>\$ 325,465</b>	<b>\$ 582,213</b>	<b>\$ 573,825</b>	<b>\$ 2,025,106</b>	
% Change from prior year	7.8%	4.5%	16.2%	2.8%	8.8%	(0.4)%	4.5%	

The following governmental funds are major funds and had significant impact on the State's financial position during fiscal year 2018 :

**General Fund** (\$338.1 million). The General Fund is the chief operating fund of the State. It accounts for all financial resources not accounted for and reported in another fund.

The General Fund receives a majority of its operating cash from sales and use tax and contractor's excise tax revenue. Other General Fund significant revenues include, but are not limited to, insurance company tax, cigarette excise tax, unclaimed property remittance, bank taxes, tourism tax, alcoholic beverage tax, and mineral tax. The General Fund also receives annual statutory transfers from the South Dakota Lottery Fund, the Securities and Insurance Fund, the Education Enhancement Trust Fund, the Dakota Cement Trust Fund, the South Dakota Gaming Commission Fund, and the Health Care Trust Fund.

A vast majority of the General Fund expenditures are for education (K-12 and post-secondary); health, human, and social services (taking care of people); and law, justice, public protection, and regulation (protecting people). The General Fund also makes annual transfers out for debt service and to various other funds.

The exhibit below details the General Fund revenue, expenditures, and transfers in a comparative table.

**State of South Dakota**  
**Change in Revenue, Expenditures and Transfers**  
**General Fund**  
(Expressed in Thousands)

Revenues and Transfers In				Expenditures and Transfers Out			
	General Fund		% of		General Fund		% of
	FY2018	FY2017			Change	FY2018	
<b>Revenue:</b>				<b>Expenditures:</b>			
Taxes:				Current:			
Sales and Use Tax	\$ 1,007,828	\$ 973,445	3.5%	General Government	\$ 54,582	\$ 50,914	7.2%
Contractor's Excise Tax	112,399	106,816	5.2%	Education (all)	791,413	752,621	5.2%
Insurance Company Tax	82,004	75,528	8.6%	Health, Human, and Social Services	549,527	545,106	0.8%
Cigarette Excise Tax	44,729	47,149	(5.1)%	Law, Justice, Public Protection, and Regulation	162,849	159,910	1.8%
Bank Tax	31,461	32,800	(4.1)%	Agriculture and Natural Resources	17,291	18,610	(7.1)%
Tourism Tax	24,340	23,084	5.4%	Economic Resources	25,556	25,648	(0.4)%
Alcohol Beverage Tax	17,135	15,993	7.1%	State Shared Revenue Paid			
Mineral Tax	9,055	10,154	(10.8)%	to Other Other Governments	43,150	45,431	(5.0)%
Other	10,986	9,601	14.4%	<b>Total Expenditures</b>	<b>\$ 1,644,368</b>	<b>\$ 1,598,240</b>	<b>2.9%</b>
Licenses, Permits, and Fees	11,634	10,814	7.6%				
Fines, Forfeits, and Penalties	693	340	103.8%				
Use of Money and Property	1,180	2,075	(43.1)%				
Sales and Services	23,124	23,032	0.4%				
Administering Programs		2	(100.0)%				
Unclaimed Property Remittance	60,508	51,556	17.4%				
Other Revenue	10,498	9,829	6.8%				
<b>Total Revenue</b>	<b>\$ 1,447,574</b>	<b>\$ 1,392,218</b>	<b>4.0%</b>	<b>Transfers Out:</b>			
				Vocational Education Facilities fund	\$ 2,329	\$ 2,270	2.6%
<b>Transfers In:</b>				Labor fund	1,621	1,541	5.2%
South Dakota Lottery fund	\$ 117,570	\$ 112,329	4.7%	Buidling Authority	1,615	274	489.4%
Securities and Insurance fund	55,890	53,972	3.6%	State Fire Suppression fund	766	3,300	(76.8)%
Education Enhancement Trust fund	20,430	19,378	5.4%	All Other Transfers Out	2,599	2,374	9.5%
Dakota Cement Trust fund	12,443	11,982	3.8%	<b>Total Transfers Out</b>	<b>\$ 8,930</b>	<b>\$ 9,759</b>	<b>(8.5)%</b>
South Dakota Gaming Commission fund	6,041	6,038	0.0%				
Health Care Trust fund	5,415	5,214	3.9%				
All Other Transfers In	12,285	10,926	12.4%				
<b>Total Transfers In</b>	<b>\$ 230,074</b>	<b>\$ 219,839</b>	<b>4.7%</b>				

The General Fund experienced an increase in revenues of \$55.4 million or 4.0% from the prior fiscal year. A majority of this increase is attributed to a \$40.0 million increase in sales, use, and contractors excise tax (3.7% increase) due to a steady growing South Dakota economy, low unemployment, increasing construction activity as well as increases in construction material prices. The General Fund also received a \$9.0 million increase in unclaimed escheat property attributed to increased dormant property. The \$6.5 million increase in insurance company tax is attached to economic growth and continued increases in insurance premiums.

The General Fund expenditures increased only 2.9% from the prior fiscal year. A majority of that \$46.1 million increase was attributed to higher state support payments to K12 school districts. This increase in education expenditures is attributed to increased student numbers, an increase in target teacher salary, property tax valuations being lower than projected, and other one-time increases to schools.

At the end of the fiscal year, the total fund balance of the General Fund was \$338.1 million, an increase of \$24.5 million, or 7.8% from the prior fiscal year.

Significant changes in the General Fund balance include the following:

- Assigned ending fund balance of \$60.7 million increased by \$5.9 million, or 10.7% from the prior fiscal year. This increase is the result of small increases in encumbrances and legislatively approve budget carryovers.
- Unassigned ending fund balance of \$268.1 million increased by \$19.0 million, or 7.6% from the prior fiscal year. Most of this increase is attributed to increases in the GFBR as previously discussed.

It is important to note that some of this unassigned fund balance has other restricting factors that may limit or decrease its availability for general appropriations because it either has another purpose as intended by state law or has internally imposed limitations. Those limitations on the unassigned fund balance include: \$132.4 million in the General Fund Budget Reserve and \$44.0 million in the General Revenue Replacement Fund, which is created by state law and to be used only to address emergency situations without having to raise taxes or cut spending.

Additionally, \$84.5 million of the unassigned fund balance is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities. Of those receivables, \$127.9 million was recognized as revenue in the General Fund in fiscal year 2018 for financial reporting purposes, but not distributed on a cash basis to the General Fund until fiscal year 2019. This revenue was budgeted for and will be used in fiscal year 2019 cash basis operations.

As a measure of the General Fund's liquidity, it may be useful to compare both the assigned and unassigned fund balances to total fund expenditures. The assigned fund balance represents 3.7% of the total General Fund operating expenditures, while the unassigned fund balance (including the GFBR and GRRF) represents 16.3% of that same amount or 20.0% in total.

See the *Budgetary Highlights – General Fund* section in this document for more discussion on the General Fund.

**Transportation** (\$203.3 million). The Transportation Fund is a major special revenue fund that accounts for the construction and maintenance of the State's highways and bridges and funding public transportation. Its revenue is comprised of federal grants, state motor fuel taxes, and state motor vehicle excise taxes. All revenues of the Transportation Fund are used and expended under the direction of the State's Department of Transportation. The total fund balance at the end of the current fiscal year for this fund was \$203.3 million, an increase of \$8.8 million, or 4.5% from the prior fiscal year.

Total revenues for the Transportation Fund decreased by \$52.5 million or 8.1% from the prior fiscal year while total expenditures decreased by \$20.6 million, or 3.4%. These decreases are the result of fewer federally supported highway construction projects let as compared to the prior fiscal year. This variation in construction activity is a normal fluctuation in the four-year Statewide Transportation Improvement Plan.

**Social Services Federal** (\$2.2 million). The Social Services Federal fund is a major special revenue fund that consists of over sixty federal grants and entitlement programs administered to provide social, financial, and medical services to eligible South Dakotans with the goal of fostering independence and personal responsibility. This fund is administered by the State's Department of Social Services. Some of the major grants included in this fund are Medicaid, Low Income Heating and Energy Assistance Payments, Temporary Assistance to Needy Families, State Children's Health Insurance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Child Care and Development Fund Mandatory, Child Care and Development Block Grant, Foster Care - Title IV-E, and Child Support Enforcement.

Revenue in the fund consists of federal grants from the U.S. Department of Health and Human Services, the U.S. Department of Agriculture, the U.S. Department of Energy, the U.S. Department of Justice, and federal pass-through grants from various State entities. The majority of the funding is expended on entitlement programs, service contracts to providers, and the administration of these programs. A majority of the state match to these federal grants is accounted for and expended out of the General Fund. The total fund balance at the end of the current fiscal year for the Social Services Federal Fund was \$2.2 million, relatively unchanged from the prior fiscal year.

Total program revenue of \$621.9 million decreased by \$94.1 million, or 13.1% and expenditures of \$621.4 million dropped by \$93.6 million, or 13.1% from the prior fiscal year. These decreases are predominantly attributed to a department reorganization that moved a federal program from the Department of Social Services to the Department of Human Services.

**Dakota Cement Trust Fund** (\$325.5 million). As created in Article XIII, Sections 20 and 21 of the Constitution of the State of South Dakota, this fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings. "Four percent of the lesser of the average market value of the trust fund determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters as of December thirty-first of that year and dividing that sum by sixteen, or the market value of the trust fund at the end of that calendar year" shall be transferred to the General Fund in support of education. The Dakota Cement Trust Fund transferred \$12.4 million to the General Fund in fiscal year 2018 and \$12.0 million in fiscal year 2017.

The fund balance in the Dakota Cement Trust Fund at June 30, 2018, was \$325.5 million and is restricted for education. This is an increase of \$9.0 million from the previous fiscal year. The increase resulted primarily from healthy net investment income of \$22.5 million which exceeded the statutory required transfer to the General Fund.

**Education Enhancement Trust Fund** (\$582.2 million). This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and General Fund appropriations for scholarship purposes. 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 Education Enhancement Trust Fund transferred \$20.4 million to the General Fund in fiscal year 2018 and \$19.4 million in fiscal year 2017.

The fund balance in the Education Enhancement Trust Fund at June 30, 2018, was \$582.2 million, an increase of \$47.1 million from the prior fiscal year. During the fiscal year this fund experienced strong net investment income of \$38.8 million. Additionally, the transfer into the Education Enhancement Trust Fund from the Tobacco Securitization Fund increase by \$22.5 million from the prior fiscal year as the result of an additional one-time settlement agreement payment of the Tobacco Master Settlement Agreement. The investment income and transfer into the Education Enhancement Trust Fund exceeded the statutory required transfer out to the General Fund creating the increase in fund balance.

### **Proprietary Funds**

The State’s proprietary funds are presented on the accrual basis of accounting and include the State’s enterprise and internal service funds. The following proprietary funds had significant activity or changes to net position during fiscal year 2018:

**Lottery Fund** (\$6.1 million). The Lottery Fund accounts for the operations of the South Dakota State Lottery, which markets instant tickets and lotto games and regulates video lottery to raise revenue for state programs and projects. At the end of the current fiscal year, the Lottery Fund reported total net position of \$6.1 million, an increase of \$0.2 million in comparison with the prior fiscal year. Pursuant to state law, the State Lottery Fund distributed approximately \$117.6 million to the General Fund, \$7.0 million to the Capital Construction Fund, and \$0.2 million to the Department of Social Services. For financial reporting purposes the \$7.0 million transfer to the Capital Construction Fund is reported as a \$4.9 million transfer to Water and Environment Fund, \$1.7 million transfer to the Ethanol Fuel Fund, and a \$0.4 million transfer to the Transportation Fund.

The State Lottery produced income (before transfers) in the amount of \$124.9 million on total revenue of \$170.0 million, compared to the previous fiscal year’s income (before transfers) of \$117.1 million on total revenue of \$156.8 million. In fiscal year 2018, on-line ticket sales realized an increase of \$5.0 million bolstered by Powerball jackpots of \$559.7 million, \$456.7 million, and \$315.3 million; and Mega Millions jackpots of \$451.0 million and \$521.0 million. Fiscal year 2017 failed to see any jackpots that approached these levels. In addition, fiscal year 2018 also included the first full year of sales from the Lucky for Life game.

**Clean Water State Revolving Fund** (\$242.9 million). The Clean Water State Revolving Fund program was federally authorized by the 1987 Clean Water Act amendments. The United States Environmental Protection Agency awards capitalization grants to the State. These grants along with 5:1 matching state funds provide 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.

During the fiscal year total assets increased by \$50.8 million or 12.6% and total liabilities increased by \$42.6 million or 24.2%. Those increases are mainly attributed to bond issuance. Additional information on the State’s long-term debt obligations can be found in *Note 14. Long-Term Liabilities* in the Notes to the Financial Statements.

At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net position of \$242.9 million, an increase of \$12.3 million, or 5.3% in comparison to the prior fiscal year. Most of this increase is attributed to an increase in the federal capitalization grant receipts from the United States Environmental Protection Agency.

**Drinking Water State Revolving Fund** (\$196.5 million). The Drinking Water State Revolving Fund program was federally authorized by the Safe Drinking Water Act amendments of 1996. The United States Environmental Protection Agency awards capitalization grants to the State. These grants along with 5:1 matching state funds are



used to provide low interest loans to finance drinking water projects. Projects with compliance or health and safety concerns receive highest priority.

During the fiscal year total assets increased by \$16.1 million or 6.4% and total liabilities increased by \$12.6 million or 20.3%. Those increases are mainly attributed to bond issuance. Additional information on the State's long-term debt obligations can be found in *Note 14. Long-Term Liabilities* in the Notes to the Financial Statements.

At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net position of \$196.5 million, an increase of \$3.8 million, or 2.0% in comparison with the prior fiscal year. This small increase resulted primarily from the operating revenue, federal grant revenues, and investment income exceeding total 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 employee compensation allocations and any actual appropriation amounts carried forward by law from prior fiscal years; including special appropriations, maintenance and repair, and carryovers. The final budget is defined as the original budget, adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes after the beginning of the fiscal year.

### ***General Fund***

The difference between the original and the final budget was a \$11.7 million net increase in appropriations. The net increase is comprised of two separate appropriations types; emergency special appropriations and net general bill adjustment appropriations (both increases and decreases). The net increase was due to actual bank franchise tax and contractors excise tax revenues exceeding previous estimates, and a one-time legislatively approved transfer to the General Fund from the General Fund Budget Reserve.

### ***Increases to the General Fund Budget***

***Emergency Specials.*** During the 2018 Legislative Session, the Legislature approved emergency special appropriations to the General Fund of \$5.6 million in fiscal year 2018. They consisted of the following:

- \$2.4 million was appropriated from the General Fund to various state agencies for budget adjustments in rural healthcare recruitment program, tax refunds for the elderly and disabled, National Guard Readiness Center, Special Election for Constitutional Amendment, and the State Veterans Cemetery.
- \$2.0 million was appropriated from the General Fund to Higher Education for costs related to the South Dakota State University Precision Agriculture Building.
- \$0.8 million was appropriated from the General Fund to the Department of Agriculture for costs related to fighting wildfires in the State, and \$0.4 million was appropriated from the General Fund to the Bureau of Administration for the payment of legal expenses associated with litigation against the State. Due to the unpredictable nature of these items, the State does not budget estimated expenditures for fighting wild fires and defending the State against litigation. Instead the Legislature allows for payment of actual expenditures as costs are incurred and backfills the budget for the actual expenditure after the costs have been paid.

***General Bill Increases.*** The 2018 Legislature approved general bill adjustments that increased the General Fund original budget by \$21.9 million during fiscal year 2018. This increase consisted of the following:

- \$15.5 million increase in appropriation to the Department of Education for programs in state aid to general education, sparsity payments, postsecondary vocational education, and education resources.
- \$6.3 million increase in appropriation to the Bureau of Finance and Management related to employee compensation and billing pools and the Obligation Recovery Center.
- \$0.1 million total increase in appropriations to various state agencies for various other increases.

**Decreases to the General Fund Budget**

**General Bill Decreases.** The 2018 Legislature approved general bill adjustments that decreased the General Fund original budget by \$15.8 million during fiscal year 2018. These decreases consisted of the following:

- \$15.1 million decrease in appropriation to the Department of Social Services for programs in economic assistance, medical and adult services, children’s services, and behavioral health.
- \$0.5 million decrease in appropriation to the Department of Human Services for programs in administration, developmental disabilities, South Dakota Developmental Center, and services to the blind and visually impaired.
- \$0.2 million total decrease in appropriations to other state agencies.

The net effect of the emergency special appropriations and general bill adjustments resulted in a \$11.7 million increase in appropriations. Overall, there were no over-expenditures by any State departments in the General Fund. The difference between the final amended budget and actual spending was \$38.3 million below final budgeted estimates.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The State’s capital assets are capitalized at historic cost. The State’s investment in capital assets for its Governmental and Business-type Activities as of June 30, 2018 is \$4.2 billion (net of accumulated depreciation). This investment in capital assets includes: land, land improvements, buildings, equipment, vehicles, infrastructure, intangible assets, and construction in progress.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Land	\$ 121,501	\$ 119,725	\$ 295	\$ 295	\$ 121,796	\$ 120,020
Land Improvements	60,410	56,383	924	924	61,334	57,307
Land Improvements - Roads	630,973	624,038			630,973	624,038
Buildings	679,181	686,854	8,591	8,591	687,772	695,445
Equipment	239,856	233,399	3,825	3,862	243,681	237,261
Intangible Assets – Software	118,492	81,267	2,620	2,341	121,112	83,608
Vehicles	172,715	166,231			172,715	166,231
Infrastructure	4,056,800	3,924,258			4,056,800	3,924,258
Construction in Progress	368,445	395,196	154	82	368,599	395,278
<b>Total Capital Assets</b>	<b>6,448,373</b>	<b>6,287,351</b>	<b>16,409</b>	<b>16,095</b>	<b>6,464,782</b>	<b>6,303,446</b>
Accumulated Depreciation	(2,220,169)	(2,145,113)	(9,380)	(9,044)	(2,229,549)	(2,154,157)
<b>Total Capital Assets, Net</b>	<b>\$ 4,228,204</b>	<b>\$ 4,142,238</b>	<b>\$ 7,029</b>	<b>\$ 7,051</b>	<b>\$ 4,235,233</b>	<b>\$ 4,149,289</b>

The most significant capital asset the State reported in fiscal year 2018 is infrastructure. Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Infrastructure assets account for \$2.4 billion (net of accumulated depreciation), which is 56.7% of total net capital assets.

The State’s investment in capital assets (net of accumulated depreciation) increased \$85.9 million, or 2.1% during the fiscal year. This change was primarily due to an increase in infrastructure from continued highway construction projects funded by federal grants and state motor fuel taxes in the Transportation Fund.

More detailed information on the State’s capital assets can be found in *Note 6. Capital Assets* in the Notes to the Financial Statements.

## ***Debt Administration***

**Issuer Credit Rating of the State.** On May 4, 2015, Standard & Poor's upgraded the issuer credit rating (ICR) for the State to AAA with a stable outlook. Likewise, on June 17, 2017, and July 11, 2017, Fitch Rating Service and Moody's Investors Service also upgraded the ICR for the State to AAA and Aaa both with a stable outlook. This represents the highest credit ratings a state can obtain. All three rating agencies have since reaffirmed the AAA ratings with a stable outlook.

The authority of the State to incur limited debt for specific purposes is described in Article XIII, Section 2, of the State's Constitution. This section prohibits the State from having general obligation indebtedness in excess of \$100,000.

**South Dakota Building Authority.** The South Dakota Building Authority (SDBA) was created and organized by Chapter 5-12 of the South Dakota Codified Laws to issue debt on behalf of the primary government. Although legally separate from the State, SDBA is a blended component unit of the State, and accordingly, is included in the State's financial statements.

SDBA 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 SDBA and the state departments and institutions. The indebtedness, bonds, or obligations incurred or created by SDBA 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 the Governmental Activities in the State's Basic Financial Statements, except for the debt of the universities, which is reported as part of the discretely presented component unit information.

On June 30, 2018, the uninsured rating for SDBA from both Standard & Poor's and Fitch was AA+ with a stable outlook and Moody's Rating was Aa1 with a stable outlook, all one notch lower than the State's ICR.

SDBA did not issue any new long-term indebtedness for the State in fiscal year 2018.

**Educational Enhancement Funding Corporation.** 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 is included in the State's financial statements.

Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title, and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title, and interest in the TSRs has been financed by the issuance of 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. The bonds and all related financial transactions of EEFC are reported as part of the Governmental Activities in the State's Basic Financial Statements.

EEFC did not issue any bonds in fiscal year 2018.

**South Dakota Conservancy District.** The South Dakota Conservancy District (SDCD) was created by the Legislature under Chapter 46A-2 of the South Dakota Codified Law as a body politic and corporate for the purpose of constructing water resource facilities for the conservation, storage, distribution, and utilization of water for multiple purposes within the State. Although legally separate from the State, SDCD is a blended component unit of the State and is included in the State's financial statements.

SDCD issues revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; and construction and maintenance of drinking water facilities respectively. The bonds are paid solely from CWSRF and DWSRF loan repayments. The SDCD bonds do not constitute a debt or liability of the State or a pledge of the faith and credit of the State. The revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the Business-type Activities in the State's Basic Financial Statements.

At June 30, 2018, the SDCD had maintained its long-term rating of Aaa from Moody's and AAA from Standard & Poor's on all outstanding State Revolving Fund Program Bonds.

In fiscal year 2018, SDCD issued \$72.2 million in bonds for CWSRF and \$22.4 million in bonds for the DWSRF programs. A portion of these bonds are being used for advanced refunding of certain prior issued bonds. Net proceeds of \$36.7 million (CWSRF) and \$5.5 million (DWSRF) were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portions. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The SDCD completed the advanced refunding for a net economic gain of \$2.8 million and \$0.6 million respectively.

**Total Outstanding Notes and Bond Debt.** The primary government had total notes and bonded debt outstanding as follows:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenue Bonds:						
South Dakota Building Authority	\$ 83,002	\$ 86,905	\$	\$	\$ 83,002	\$ 86,905
Educational Enhancement Funding Corporation	93,320	105,455			93,320	105,455
South Dakota Conservancy District			287,208	230,912	287,208	230,912
Capital Leases:	139,181	145,681			139,181	145,681
<b>Total</b>	<b>\$ 315,503</b>	<b>\$ 338,041</b>	<b>\$ 287,208</b>	<b>\$ 230,912</b>	<b>\$ 602,711</b>	<b>\$ 568,953</b>

Additional information on the State's long-term debt obligations can be found in *Note 14. Long-Term Liabilities* in the Notes to the Financial Statements.

***ECONOMIC CONDITIONS AND OUTLOOK***

Nonfarm employment in South Dakota increased during fiscal year 2018 and continues to expand at a steady pace. In fiscal year 2018, nonfarm employment in the State increased 0.9%, or 3,800 jobs. The unemployment rate in South Dakota remained among the lowest in the nation in fiscal year 2018. South Dakota's unemployment rate was 3.2% in June 2018, while the U.S. unemployment rate was 4.0% the same month. In calendar year 2017, the most recent annual data that is available, South Dakota's nonfarm personal income grew 2.1%, lower than the U.S. growth rate of 4.4% and the Plains' State Region growth rate of 3.4%. South Dakota's per capita personal income increased to \$48,818 in 2017, less than the United States average per capita personal income of \$51,640.

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

***REQUESTS FOR INFORMATION***

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

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

## ***BASIC FINANCIAL STATEMENTS***

**The *Basic Financial Statements* include the government-wide financial statements, the governmental funds financial statements, the proprietary funds financial statements, the fiduciary funds financial statements, and the accompanying Notes to the Financial Statements. The following individual statements are included:**

- Government-wide Financial Statements – Statement of Net Position
- Government-wide Financial Statements – Statement of Activities
- Balance Sheet – Governmental Funds
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Net Position – Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
- Statement of Cash Flows – Proprietary Funds
- Statement of Fiduciary Net Position – Fiduciary Funds
- Statement of Changes in Fiduciary Net Position – Fiduciary Funds
- Notes to the Financial Statements

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**  
**(Expressed in Thousands)**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 791,207	\$ 282,826	\$ 1,074,033
Receivables, net	468,739	481,492	950,231
Due From Component Units	822	22	844
Due From Primary Government			0
Internal Balances	7,050	(7,050)	0
Investments	1,136,825	223,801	1,360,626
Securities Held as Escheat Property	1,027		1,027
Inventory	25,854	2,026	27,880
Advances to Component Units	1,337	19,971	21,308
Other Assets	8,975	84	9,059
<b>Assets Held for Resale</b>			<b>0</b>
Restricted Assets:			
Cash and Cash Equivalents	3,301	40	3,341
Investments	19,760	442	20,202
Net Pension Asset	1,913	47	1,960
Other		650	650
Capital Assets:			
Land and Other Non-depreciable Assets	762,281	295	762,576
Infrastructure, net	2,402,722		2,402,722
Property, Plant, and Equipment, net	694,756	6,580	701,336
Construction in Progress	368,445	154	368,599
<b>Total Assets</b>	<b>6,695,014</b>	<b>1,011,380</b>	<b>7,706,394</b>
<b>Deferred Outflows of Resources</b>			
Deferred Outflow Related to Pensions	206,798	5,002	211,800
Deferred Swap Outflow			0
Deferred Forward Contract Outflow			0
Deferred Outflow on Debt Refunding	4,282	9,074	13,356
<b>Total Deferred Outflows of Resources</b>	<b>211,080</b>	<b>14,076</b>	<b>225,156</b>
<b>Liabilities</b>			
Accounts Payable and Other Liabilities	287,752	7,163	294,915
Due To Primary Government			0
Due To Component Units	1,635		1,635
Accrued Interest Payable	674	4,445	5,119
Unearned Revenue	52,012	2,120	54,132
Noncurrent Liabilities:			
Due Within One Year	71,726	23,891	95,617
Due In More Than One Year	368,184	265,328	633,512
<b>Total Liabilities</b>	<b>781,983</b>	<b>302,947</b>	<b>1,084,930</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflow Related to Pensions	37,268	895	38,163
Deferred Inflow on Gain on Debt Refunding			0
Deferred Inflow on Swaps			0
<b>Total Deferred Inflows of Resources</b>	<b>37,268</b>	<b>895</b>	<b>38,163</b>
<b>Net Position</b>			
Net Investment in Capital Assets	4,051,612	7,027	4,058,639
Restricted for:			
Education	337,211		337,211
Highways	191,927		191,927
Railroads	30,312		30,312
Law, Justice, Public Protection, and Regulation	18,235		18,235
Agriculture and Natural Resources	75,561		75,561
Game and Fish	10,715		10,715
Parks and Recreation	6,789		6,789
Health and Public Assistance	17,089		17,089
Economic Development	52,602		52,602
Debt Service	24,729		24,729
Capital Projects	959		959
HOME and NSP Program			0
Energy Conservation Programs	11,622		11,622
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds Held as Permanent Investments:			
Expendable	240,682		240,682
Nonexpendable	539,870		539,870
Pensions	171,443	4,154	175,597
Experiments			0
Mine Closure			0
Sanford Center for Science Education			0
Other Purposes	22,142	2,628	24,770
Unrestricted	283,343	707,805	991,148
<b>Net Position</b>	<b>\$ 6,086,843</b>	<b>\$ 721,614</b>	<b>\$ 6,808,457</b>

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

**Component Units**

<b>Housing Authority</b>		<b>Science and Technology Authority</b>		<b>Higher Education</b>		<b>Nonmajor</b>	
\$	216,545	\$	13,305	\$	271,202	\$	15,879
	516,448		3,206		136,822		10,279
					1,635		
	953,817				417,054		2,353
	2,603		2,407		7,696		
	3,443		6,961		5,217		26
							<b>3,855</b>
					34,356		7
					158,770		5,834
	14		44		1,367		
					38,515		
	220		19,821		42,132		
	5,058		44,206		1,067,272		20,801
			18,084		108,655		
	<b>1,698,148</b>		<b>108,034</b>		<b>2,290,693</b>		<b>59,034</b>
	1,616		4,796		147,544		
	64						
	112						
	3,391				9,383		
	<b>5,183</b>		<b>4,796</b>		<b>156,927</b>		<b>0</b>
	6,417		1,376		47,435		975
	52				792		
	4,993				3,983		119
					43,152		2,182
	40,247		542		61,045		2,239
	1,155,680		5,542		562,948		31,418
	<b>1,207,389</b>		<b>7,460</b>		<b>719,355</b>		<b>36,933</b>
	357		852		26,272		
	1,473				14		
	3,443						
	<b>5,273</b>		<b>852</b>		<b>26,286</b>		<b>0</b>
	(907)		82,111		733,108		239
	402,124				3,699		5,000
	77,764						
					258,053		
					428,297		
	1,273		3,988		122,639		
			2,588				
			1,416				
			129				
	10,415		7,500				
			6,786		156,183		16,862
<b>\$</b>	<b>490,669</b>	<b>\$</b>	<b>104,518</b>	<b>\$</b>	<b>1,701,979</b>	<b>\$</b>	<b>22,101</b>

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**  
**(Expressed in Thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 217,355	\$ 258,406	\$ 12,685	\$
Education - Elementary, Secondary, and Vocational Schools	213,449	10,112	168,035	
Education - State Support to Higher Education	210,972			
Health, Human, and Social Services	1,500,037	31,807	942,172	
Law, Justice, Public Protection, and Regulation	258,727	85,139	47,922	
Agriculture and Natural Resources	144,690	86,130	39,780	
Economic Resources	43,560	845	19,456	
Transportation	455,118	14,723	290,784	2,342
Intergovernmental - Payments to School Districts	547,119			
Intergovernmental - Revenue Sharing	187,573			
Unallocated Interest Expense	7,899			
Unallocated Depreciation	53			
<b>Total Governmental Activities</b>	<b>3,786,552</b>	<b>487,162</b>	<b>1,520,834</b>	<b>2,342</b>
<b>Business-type Activities:</b>				
Lottery	45,256	170,099	46	
Clean Water State Revolving	12,345	7,213	17,449	
Drinking Water State Revolving	10,314	4,740	9,439	
Revolving Economic Development and Initiative	727	827	190	
Unemployment Insurance	29,116	33,166	3,498	
Second Injury	1,099		6	
State Fair	3,699	3,338	75	84
Federal Surplus Property	2,903	2,877	2	
Rural Rehabilitation	126	273	143	
Prison Industries	2,701	2,990	4	
S.D. Trust Company Captive Insurance Co.	36	47	16	
Professional and Licensing	8,757	8,580	87	
Banking and Insurance	3,367	5,672	11	
Other	3,040	2,918	5	
<b>Total Business-type Activities</b>	<b>123,486</b>	<b>242,740</b>	<b>30,971</b>	<b>84</b>
<b>Total Primary Government</b>	<b>\$ 3,910,038</b>	<b>\$ 729,902</b>	<b>\$ 1,551,805</b>	<b>\$ 2,426</b>
<b>Component Units:</b>				
Housing Authority	\$ 71,681	\$ 22,307	\$ 31,431	\$
Science and Technology Authority	24,302	316	22,732	
Higher Education	733,589	452,011	158,984	4,857
Nonmajor	18,219	4,476	309	11,429
<b>Total Component Units</b>	<b>\$ 847,791</b>	<b>\$ 479,110</b>	<b>\$ 213,456</b>	<b>\$ 16,286</b>

General Revenues:

Taxes:

Sales Taxes

Motor Fuel Taxes

Contractors Excise Taxes

Bank Card and Franchise Taxes

Other Taxes

Investment Earnings

State Support to Higher Education

Gain on Sale of Capital Assets

Miscellaneous

Additions to Endowments

Transfers

**Total General Revenues, Additions to Endowments,  
and Transfers**

**Changes in Net Position**

Net Position at Beginning of Year, as restated

**Net Position at End of Year**

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



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

Primary Government			Component Units			
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 53,736	\$	\$ 53,736				
(35,302)		(35,302)				
(210,972)		(210,972)				
(526,058)		(526,058)				
(125,666)		(125,666)				
(18,780)		(18,780)				
(23,259)		(23,259)				
(147,269)		(147,269)				
(547,119)		(547,119)				
(187,573)		(187,573)				
(7,899)		(7,899)				
(53)		(53)				
<b>(1,776,214)</b>	<b>0</b>	<b>(1,776,214)</b>				
	124,889	124,889				
	12,317	12,317				
	3,865	3,865				
	290	290				
	7,548	7,548				
	(1,093)	(1,093)				
	(202)	(202)				
	(24)	(24)				
	290	290				
	293	293				
	27	27				
	(90)	(90)				
	2,316	2,316				
	(117)	(117)				
<b>0</b>	<b>150,309</b>	<b>150,309</b>				
<b>(1,776,214)</b>	<b>150,309</b>	<b>(1,625,905)</b>				
			\$ (17,943)	\$	\$	\$
				(1,254)		
					(117,737)	
						(2,005)
			<b>(17,943)</b>	<b>(1,254)</b>	<b>(117,737)</b>	<b>(2,005)</b>
1,025,111		1,025,111				
183,441		183,441				
112,518		112,518				
31,448		31,448				
382,375		382,375				
72,379		72,379		37	46,072	175
		0			210,972	
1,737		1,737				
110,159		110,159				
		0			23,508	
125,570	(125,570)	0				
<b>2,044,738</b>	<b>(125,570)</b>	<b>1,919,168</b>	<b>0</b>	<b>37</b>	<b>280,552</b>	<b>175</b>
<b>268,524</b>	<b>24,739</b>	<b>293,263</b>	<b>(17,943)</b>	<b>(1,217)</b>	<b>162,815</b>	<b>(1,830)</b>
5,818,319	696,875	6,515,194	508,612	105,735	1,539,164	23,931
<b>\$ 6,086,843</b>	<b>\$ 721,614</b>	<b>\$ 6,808,457</b>	<b>\$ 490,669</b>	<b>\$ 104,518</b>	<b>\$ 1,701,979</b>	<b>\$ 22,101</b>

STATE OF SOUTH DAKOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018  
(Expressed in Thousands)

<u>Assets</u>	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>	<u>Nonmajor</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 253,921	\$ 147,494	\$ 5	\$ 20	\$ 315	\$ 323,179	\$ 724,934
Restricted Cash	3,300					1	3,301
Investments				324,838	601,491	210,496	1,136,825
<b>Restricted Investments</b>						<b>19,760</b>	<b>19,760</b>
Securities Held as Escheat Property	1,027						1,027
Receivables from:							
Taxes, net	137,661	17,558				2,973	158,192
Interest and Dividends	2,501	595	3	607	1,264	1,669	6,639
Other Funds	55,922	2,203				4,644	62,769
Component Units	84					6	90
Other Governments	1,317	56,404	17,600			92,228	167,549
Loans and Notes, net		7,374				70,052	77,426
Other, net	14,602	718	12,856		603	26,404	55,183
Inventory	3,179	19,286	11			2,626	25,102
Advances to Component Units						1,337	1,337
Other Assets	2,918	312	616			1,500	5,346
<b>Total Assets</b>	<b>\$ 476,432</b>	<b>\$ 251,944</b>	<b>\$ 31,091</b>	<b>\$ 325,465</b>	<b>\$ 603,673</b>	<b>\$ 756,875</b>	<b>\$ 2,445,480</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts Payable and Other Liabilities	\$ 89,408	\$ 38,895	\$ 24,499	\$	\$ 1,030	\$ 46,539	\$ 200,371
Payable to:							
Other Funds	3,241	1,487	4,004		20,430	33,754	62,916
Component Units	177	89	99			1,226	1,591
Other Governments	17,963	6,150	98			61,798	86,009
Claims, Judgments, and Compensated Absences	139	42	24			164	369
Unearned Revenue	22,749	2,022	162			16,160	41,093
<b>Total Liabilities</b>	<b>133,677</b>	<b>48,685</b>	<b>28,886</b>	<b>0</b>	<b>21,460</b>	<b>159,641</b>	<b>392,349</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable Revenue	4,615	1				23,409	28,025
<b>Total Deferred Inflows of Resources</b>	<b>4,615</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,409</b>	<b>28,025</b>
<b>Fund Balances:</b>							
Nonspendable	6,097	19,598	628		397,235	145,924	569,482
Restricted	3,300	183,660		325,465	184,978	386,859	1,084,262
<b>Committed</b>						<b>36,863</b>	<b>36,863</b>
Assigned	60,691		1,577			15,937	78,205
Unassigned	268,052					(11,758)	256,294
<b>Total Fund Balances</b>	<b>338,140</b>	<b>203,258</b>	<b>2,205</b>	<b>325,465</b>	<b>582,213</b>	<b>573,825</b>	<b>2,025,106</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 476,432</b>	<b>\$ 251,944</b>	<b>\$ 31,091</b>	<b>\$ 325,465</b>	<b>\$ 603,673</b>	<b>\$ 756,875</b>	<b>\$ 2,445,480</b>

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

**STATE OF SOUTH DAKOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2018  
(Expressed in Thousands)**

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 2,025,106</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
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	\$ 1,130,469	
Infrastructure	4,056,800	
Other Capital Assets	1,153,468	
Accumulated Depreciation	<u>(2,144,559)</u>	
Total Capital Assets		4,196,178
Net pension asset used in governmental activities is not a financial resource and is therefore not reported in the governmental funds.		
		1,776
Deferred outflows of resources are not reported in the governmental funds:		
Related to Pension	191,935	
Related to Debt Refunding	<u>4,282</u>	
Total Deferred Outflows of Resources		196,217
Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
		39,945
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	(176,322)	
Accrued Interest on Bonds	(674)	
Capital Leases	(122,115)	
Compensated Absences	(54,975)	
Pollution Remediation	<u>(11,707)</u>	
Total Long-Term Liabilities		(365,793)
Deferred inflows of resources are not reported in the governmental funds:		
Revenues not available soon enough after year-end to pay for the current period's expenditures	28,025	
Related to Pensions	<u>(34,611)</u>	
Total Deferred Inflows of Resources		<u>(6,586)</u>
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 6,086,843</u></u></b>

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, 2018  
(Expressed in Thousands)**

	<b>General Fund</b>	<b>Transportation</b>	<b>Social Services Federal</b>	<b>Dakota Cement Trust</b>	<b>Education Enhancement Trust</b>	<b>Nonmajor</b>	<b>Total</b>
<b>Revenue:</b>							
Taxes	\$ 1,339,937	\$ 291,114	\$	\$	\$	\$ 104,331	\$ 1,735,382
Licenses, Permits, and Fees	11,634	11,806				281,314	304,754
Fines, Forfeits, and Penalties	693					12,654	13,347
Use of Money and Property	1,180	435	3	22,500	38,794	21,637	84,549
Sales and Services	23,124	457				21,392	44,973
Administering Programs		292,454	616,559			584,049	1,493,062
Tobacco Settlement						46,000	46,000
Other Revenue	71,006	817	5,301			29,215	106,339
<b>Total Revenue</b>	<b>1,447,574</b>	<b>597,083</b>	<b>621,863</b>	<b>22,500</b>	<b>38,794</b>	<b>1,100,592</b>	<b>3,828,406</b>
<b>Expenditures:</b>							
Current:							
General Government	54,582			1,076	1,954	45,191	102,803
Education	33,322					186,307	219,629
Education - Payments to School Districts	547,119						547,119
Education - State Support to Higher Education	210,972						210,972
Health, Human, and Social Services	549,527		621,384			345,681	1,516,592
Law, Justice, Public Protection, and Regulation	162,849	20,297				89,515	272,661
Agriculture and Natural Resources	17,291					144,443	161,734
Economic Resources	25,556					18,422	43,978
Transportation		572,660				2,672	575,332
State Shared Revenue Paid to Other Governments	43,150					144,423	187,573
Capital Outlay						8,182	8,182
Debt Service:							
Principal						14,962	14,962
Interest						7,563	7,563
Bond Issuance Costs						67	67
<b>Total Expenditures</b>	<b>1,644,368</b>	<b>592,957</b>	<b>621,384</b>	<b>1,076</b>	<b>1,954</b>	<b>1,007,428</b>	<b>3,869,167</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(196,794)</b>	<b>4,126</b>	<b>479</b>	<b>21,424</b>	<b>36,840</b>	<b>93,164</b>	<b>(40,761)</b>
<b>Other Financing Sources (Uses):</b>							
Capital Leases						1,322	1,322
Proceeds from Sale of Capital Assets	110	2,072				445	2,627
Insurance Proceeds		13					13
Transfers In	230,074	7,127			30,688	30,897	298,786
Transfers Out	(8,930)	(4,534)	(171)	(12,443)	(20,430)	(128,212)	(174,720)
<b>Net Other Financing Sources (Uses)</b>	<b>221,254</b>	<b>4,678</b>	<b>(171)</b>	<b>(12,443)</b>	<b>10,258</b>	<b>(95,548)</b>	<b>128,028</b>
<b>Net Change in Fund Balances</b>	<b>24,460</b>	<b>8,804</b>	<b>308</b>	<b>8,981</b>	<b>47,098</b>	<b>(2,384)</b>	<b>87,267</b>
Fund Balances at Beginning of Year, as restated	313,680	194,454	1,897	316,484	535,115	576,209	1,937,839
<b>Fund Balances at End of Year</b>	<b>\$ 338,140</b>	<b>\$ 203,258</b>	<b>\$ 2,205</b>	<b>\$ 325,465</b>	<b>\$ 582,213</b>	<b>\$ 573,825</b>	<b>\$ 2,025,106</b>

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

**STATE OF SOUTH DAKOTA  
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

**Net Change in Fund Balances - Governmental Funds** **\$ 87,267**

**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	\$ 235,071	
Depreciation Expense	(117,000)	
Excess of Capital Outlay Over Depreciation Expense		118,071

The net effect of various miscellaneous transactions involving capital assets, including sales, donations, and trade-ins, is to decrease net position. (30,815)

Capital leases entered into during the fiscal year are reported as other financing sources in the governmental funds. However, it is not reported in the Statement of Activities as it is shown as an increase in long-term liabilities in the Statement of Net Position. (1,322)

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

Bond Principal Retirement	14,962	
Capital Lease Payments	7,085	
Total Long-Term Debt Repayment		22,047

Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue (expense) of certain activities of internal service funds is reported in governmental activities. 3,947

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available. 6,402

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

Bond Refunding Costs	(57)	
Bond Premium	661	
Total Amounts Related to Bond Issuance		604

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	32	
(Increase) Decrease in Compensated Absences	(1,148)	
(Increase) Decrease in Net Pension Costs	63,493	
(Increase) Decrease in Pollution Remediation	(54)	
Total Additional Expenditures		62,323

**Change in Net Position of Governmental Activities** **\$ 268,524**

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**  
(Expressed in Thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities
	Lottery	Major		Nonmajor	Total	Internal Service Funds
		Clean Water State Revolving	Drinking Water State Revolving			
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 8,751	\$ 30,638	\$ 18,862	\$ 224,575	\$ 282,826	\$ 66,273
Receivables:						
Interest and Dividends	61	3,254	2,080	618	6,013	239
Other Funds				223	223	8,815
Component Units				22	22	732
Other Governments		613	395	239	1,247	122
Loans and Notes, net		19,708	11,542	9,320	40,570	
Other, net	5,128			1,502	6,630	3,117
Investments		47,844	15,497		63,341	
Inventory				2,026	2,026	752
Advances to Component Units		1,010			1,010	
Other Assets	11			73	84	3,629
<b>Total Current Assets</b>	<b>13,951</b>	<b>103,067</b>	<b>48,376</b>	<b>238,598</b>	<b>403,992</b>	<b>83,679</b>
Restricted Assets:						
Restricted Cash	40				40	
Restricted Investments	442				442	
Net Pension Asset	7	1	2	37	47	137
Other	650				650	
Investments		96,877	63,583		160,460	
<b>Capital Assets:</b>						
Land and Other Non-depreciable Assets				295	295	
Property, Plant, and Equipment	4,542			11,418	15,960	107,380
Accumulated Depreciation	(3,909)			(5,471)	(9,380)	(75,611)
Construction in Progress				154	154	257
<b>Total Capital Assets</b>	<b>633</b>	<b>0</b>	<b>0</b>	<b>6,396</b>	<b>7,029</b>	<b>32,026</b>
Advances to Component Units		18,961			18,961	
Other Noncurrent Assets		235,437	156,522	35,025	426,984	
<b>Total Assets</b>	<b>15,723</b>	<b>454,343</b>	<b>268,483</b>	<b>280,056</b>	<b>1,018,605</b>	<b>115,842</b>
<b>Deferred Outflows of Resources</b>						
Deferred Outflow Related to Pensions	706	127	221	3,948	5,002	14,863
Deferred Amount from Refunding of Bonds		6,884	2,190		9,074	
<b>Total Deferred Outflows of Resources</b>	<b>706</b>	<b>7,011</b>	<b>2,411</b>	<b>3,948</b>	<b>14,076</b>	<b>14,863</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Liabilities	2,772	467	512	3,706	7,457	5,193
Payable to:						
Other Funds	6,955	1	1	285	7,242	1,448
Component Units					0	44
Escrow Payable	83				83	
Bonds, Notes, and Leases Payable		14,222	8,403		22,625	5,109
Claims, Judgments, and Compensated Absences	138	39	33	662	872	21,556
Accrued Interest Payable		3,408	1,037		4,445	
Unearned Revenue	174			1,946	2,120	10,919
<b>Total Current Liabilities</b>	<b>10,122</b>	<b>18,137</b>	<b>9,986</b>	<b>6,599</b>	<b>44,844</b>	<b>44,269</b>
<b>Noncurrent Liabilities:</b>						
Bonds, Notes, and Leases Payable		200,236	64,347		264,583	11,958
Claims, Judgments, and Compensated Absences	122	34	29	560	745	31,827
Other Noncurrent Liabilities					0	49
<b>Total Noncurrent Liabilities</b>	<b>122</b>	<b>200,270</b>	<b>64,376</b>	<b>560</b>	<b>265,328</b>	<b>43,834</b>
<b>Total Liabilities</b>	<b>10,244</b>	<b>218,407</b>	<b>74,362</b>	<b>7,159</b>	<b>310,172</b>	<b>88,103</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflow Related to Pensions	128	22	40	705	895	2,657
<b>Total Deferred Inflows of Resources</b>	<b>128</b>	<b>22</b>	<b>40</b>	<b>705</b>	<b>895</b>	<b>2,657</b>
<b>Net Position</b>						
Net Investment in Capital Assets	633			6,394	7,027	14,959
Restricted for:						
Pensions	585	106	183	3,280	4,154	12,343
Other	650			1,978	2,628	
Unrestricted	4,189	242,819	196,309	264,488	707,805	12,643
<b>Total Net Position</b>	<b>\$ 6,057</b>	<b>\$ 242,925</b>	<b>\$ 196,492</b>	<b>\$ 276,140</b>	<b>\$ 721,614</b>	<b>\$ 39,945</b>

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

**STATE OF SOUTH DAKOTA  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major				Total	Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		
<b>Operating Revenue:</b>						
Licenses, Permits, and Fees	\$ 1,533	\$	\$	\$ 16,479	\$ 18,012	\$
Use of Money and Property		5,685	3,785	1,476	10,946	19
Sales and Services	168,494	1,528	955	8,476	179,453	248,819
Administering Programs				133	133	
Assessments				33,166	33,166	
Other Revenue				1,085	1,085	3,864
<b>Total Operating Revenue</b>	<b>170,027</b>	<b>7,213</b>	<b>4,740</b>	<b>60,815</b>	<b>242,795</b>	<b>252,702</b>
<b>Operating Expenses:</b>						
Personal Services and Benefits	1,559	338	468	10,277	12,642	37,230
Travel	128	8	8	996	1,140	733
Contractual Services	8,809	937	625	8,212	18,583	58,600
Supplies and Materials	728	1	1	4,512	5,242	13,752
Grant and Other	104	4,222	6,408	913	11,647	9
Interest		6,839	2,410		9,249	531
Depreciation/Amortization	246			247	493	7,632
Lottery Prizes	33,679				33,679	
Insurance Claims				30,205	30,205	132,167
<b>Total Operating Expenses</b>	<b>45,253</b>	<b>12,345</b>	<b>9,920</b>	<b>55,362</b>	<b>122,880</b>	<b>250,654</b>
<b>Operating Income (Loss)</b>	<b>124,774</b>	<b>(5,132)</b>	<b>(5,180)</b>	<b>5,453</b>	<b>119,915</b>	<b>2,048</b>
<b>Nonoperating Revenue (Expenses):</b>						
Gain on Disposal of Assets				6	6	298
Loss on Disposal of Assets					0	(85)
Interest Income	46	4,605	3,233	3,769	11,653	169
Other Expense	(3)		(394)	(209)	(606)	(12)
Grant and Other Income	72	12,844	6,206	135	19,257	25
<b>Total Nonoperating Revenue (Expenses)</b>	<b>115</b>	<b>17,449</b>	<b>9,045</b>	<b>3,701</b>	<b>30,310</b>	<b>395</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>124,889</b>	<b>12,317</b>	<b>3,865</b>	<b>9,154</b>	<b>150,225</b>	<b>2,443</b>
<b>Capital Contributions and Transfers:</b>						
Capital Contributions				84	84	
Transfers In				629	629	1,766
Transfers Out	(124,746)	(44)	(76)	(1,333)	(126,199)	(262)
<b>Net Capital Contributions and Transfers</b>	<b>(124,746)</b>	<b>(44)</b>	<b>(76)</b>	<b>(620)</b>	<b>(125,486)</b>	<b>1,504</b>
<b>Change in Net Position</b>	<b>143</b>	<b>12,273</b>	<b>3,789</b>	<b>8,534</b>	<b>24,739</b>	<b>3,947</b>
Net Position at Beginning of Year	5,914	230,652	192,703	267,606	696,875	35,998
<b>Net Position at End of Year</b>	<b>\$ 6,057</b>	<b>\$ 242,925</b>	<b>\$ 196,492</b>	<b>\$ 276,140</b>	<b>\$ 721,614</b>	<b>\$ 39,945</b>

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, 2018  
(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers and Users	\$ 169,712	\$ 1,381	\$ 931	\$ 57,122	\$ 229,146	\$ 90,798
Receipts from Interfund Services Provided				3,869	3,869	157,113
Receipts from Federal Agencies				45	45	
Receipts from Loan Payments		26,257	15,203	5,113	46,573	
Payments to Suppliers and for Benefits and Claims	(8,910)	(3,680)	(1,326)	(42,776)	(56,692)	(195,305)
Payments for Employee Services	(1,845)	(372)	(638)	(11,644)	(14,499)	(41,930)
Payments for Interfund Services Used	(664)			(2,757)	(3,421)	(9,381)
Payments for Lottery Prizes	(34,014)				(34,014)	
Payments for Principal Forgiveness		(1,349)	(5,703)		(7,052)	
Payments for Loans Originated		(34,807)	(23,412)	(7,419)	(65,638)	
Other Receipts (Payments)	(50)	(10)	(10)	446	376	5,440
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>124,229</b>	<b>(12,580)</b>	<b>(14,955)</b>	<b>1,999</b>	<b>98,693</b>	<b>6,735</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Capital Contributions				84	84	
Purchases of Capital Assets	(279)			(121)	(400)	(1,208)
Construction in Progress				(72)	(72)	(150)
Sales of Capital Assets				6	6	673
Payments on Capital Lease Obligations					0	(6,150)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(279)</b>	<b>0</b>	<b>0</b>	<b>(103)</b>	<b>(382)</b>	<b>(6,835)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Transfers In				638	638	1,371
Transfers Out	(124,201)	(44)	(76)	(1,347)	(125,668)	(261)
Received (Paid) on Interfund Borrowing					0	210
Transfer to Escrow Account		(36,727)	(5,544)		(42,271)	
Issuance of Bonds		86,312	25,230		111,542	
Principal Payments on Bonds and Notes		(10,125)	(6,075)		(16,200)	
Bond Issuance Costs		(548)	(173)		(721)	
Interest Payments on Bonds and Notes		(7,287)	(2,248)		(9,535)	
Receipts for Administering Program		12,404	6,138		18,542	
Grants and Other Noncapital Financing Activities		431	210	(55)	586	
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(124,201)</b>	<b>44,416</b>	<b>17,462</b>	<b>(764)</b>	<b>(63,087)</b>	<b>1,320</b>
<b>Cash Flows From Investing Activities:</b>						
Arbitrage Payment			(1,550)		(1,550)	
Investment Income	35	4,880	3,341	3,707	11,963	155
Investment Expense	(3)			(19)	(22)	(12)
Purchase of Investment Securities		(54,165)	(18,898)		(73,063)	
Proceeds from the Sale and Maturity of Investments		26,421	17,935		44,356	
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>32</b>	<b>(22,864)</b>	<b>828</b>	<b>3,688</b>	<b>(18,316)</b>	<b>143</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year</b>	<b>(219)</b>	<b>8,972</b>	<b>3,335</b>	<b>4,820</b>	<b>16,908</b>	<b>1,363</b>
Cash and Cash Equivalents at Beginning of Year	9,010	21,666	15,527	219,755	265,958	64,910
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,791</b>	<b>\$ 30,638</b>	<b>\$ 18,862</b>	<b>\$ 224,575</b>	<b>\$ 282,866</b>	<b>\$ 66,273</b>

Continued on next page



STATE OF SOUTH DAKOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (continued)  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$ 124,774	\$ (5,132)	\$ (5,180)	\$ 5,453	\$ 119,915	\$ 2,048
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	246			247	493	7,632
Bad Debt Expense				47	47	
Interest Expense		6,838	2,410		9,248	532
Bond Issuance Costs		548	173		721	
Miscellaneous Nonoperating Items	72			3	75	
Decrease/(Increase) in Assets:						
Accounts Receivable	(220)			(142)	(362)	(351)
Interest, Dividends & Penalties Receivable		(339)	(101)	(41)	(481)	
Loans and Notes Receivable		(13,897)	(11,891)	(3,249)	(29,037)	
Due From Other Funds				112	112	(472)
Due From Component Units				28	28	63
Due From Other Governments		(147)	(25)	49	(123)	34
Inventory				336	336	50
Other Assets	9			507	516	205
Other Restricted Assets	1				1	
Restricted Net Pension Asset	(7)	(1)	(2)	(36)	(46)	(137)
Decrease/(Increase) in Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	(95)	(14)	(108)	(692)	(909)	(1,924)
Increase/(Decrease) in Liabilities:						
Accounts Payable	(216)	(418)	(170)	(629)	(1,433)	144
Accrued Liabilities	(46)	1	(20)	25	(40)	(34)
Compensated Absences Payable	(8)	6	(38)	1	(39)	83
Due To Other Funds	(35)			(83)	(118)	(191)
Due To Component Units					0	4
Due To Other Governments				17	17	(10)
Unearned Revenue	(139)			655	516	(547)
Escrow Payable	12				12	
Policy Claim Liabilities					0	2,420
Other Liabilities	11			51	62	
Net Pension Liability	(253)	(47)	(42)	(1,343)	(1,685)	(5,382)
Increase/(Decrease) in Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	123	22	39	683	867	2,568
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 124,229</b>	<b>\$ (12,580)</b>	<b>\$ (14,955)</b>	<b>\$ 1,999</b>	<b>\$ 98,693</b>	<b>\$ 6,735</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>						
Gain (Loss) on Disposal of Capital Assets	\$	\$	\$	\$	\$	\$ 213
Capital Lease Obligations Entered Into						4,882
Transfers In (Out) of Capital Assets						396

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

**STATE OF SOUTH DAKOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2018**  
**(Expressed in Thousands)**

	<b>South Dakota Retirement System Pension Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 6,486	\$ 2,753	\$ 23,547
<b>Receivables:</b>			
Employer	3,248		
Employee	3,490		
Benefits	123		
Unsettled Investment Sales	11,646		
Taxes Receivable, net			44,876
Due From Other Funds		119	
Investment Income	31,905	428	8
Other		30	551
<b>Total Receivables</b>	<b>50,412</b>	<b>577</b>	<b>45,435</b>
<b>Investments, at Fair Value:</b>			
Fixed Income	4,723,561		
Equities	5,499,292		
Real Estate	1,014,799		
Private Equity	959,801		
Pooled Investment Funds		245,537	
<b>Total Investments</b>	<b>12,197,453</b>	<b>245,537</b>	<b>0</b>
Properties, at cost	2,061	14,178	
Accumulated Depreciation	(349)		
Other Assets	18	13	
<b>Total Assets</b>	<b>12,256,081</b>	<b>263,058</b>	<b>\$ 68,982</b>
<b>Liabilities</b>			
Payables:			
Accounts Payable and Other Liabilities	1,466	166	\$ 13,546
Due To Other Funds	72	248	
Due To Other Governments			55,436
Compensated Absences Payable	335		
Unsettled Investment Purchases	18,489		
<b>Total Liabilities</b>	<b>20,362</b>	<b>414</b>	<b>\$ 68,982</b>
<b>Net Position</b>			
Restricted for Pension Benefits	12,235,719		
Restricted for Others		262,644	
<b>Total Net Position</b>	<b>\$ 12,235,719</b>	<b>\$ 262,644</b>	

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

**STATE OF SOUTH DAKOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

<b>Additions</b>	<b>South Dakota Retirement System Pension Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Contributions:</b>		
Employee	\$ 124,262	\$
Employer	124,734	
From Clients and Inmates		10,238
Other		8,191
<b>Total Contributions</b>	<b>248,996</b>	<b>18,429</b>
<b>Investment Income:</b>		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	671,174	9,710
Interest	102,577	
Dividends	127,930	
Real Estate	54,444	945
Pooled Interest and Dividends		4,641
<b>Total Investment Activity Income</b>	<b>956,125</b>	<b>15,296</b>
Less Investment Activity Expenses	(45,452)	
<b>Net Investment Income (Loss)</b>	<b>910,673</b>	<b>15,296</b>
<i>From Security Lending Activities</i>		
Securities Lending Income	1,458	4
Securities Lending Expenses	(436)	
Escheated Property		3
Miscellaneous Income		1,034
<b>Total Additions</b>	<b>1,160,691</b>	<b>34,766</b>
<b>Deductions</b>		
Benefits	542,300	
Refunds of Contributions	21,841	
Distribution to School Districts		11,282
Payments Made for Trust Purposes		10,907
Administrative Expenses	4,870	4
<b>Total Deductions</b>	<b>569,011</b>	<b>22,193</b>
<b>Change in Net Position</b>	<b>591,680</b>	<b>12,573</b>
Net Position at Beginning of Year	11,644,039	250,071
<b>Net Position at End of Year</b>	<b>\$ 12,235,719</b>	<b>\$ 262,644</b>

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



# **NOTES TO THE FINANCIAL STATEMENTS**

<b>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>50</b>
A. Basis of Presentation .....	50
B. Reporting Entity .....	50
C. Government-wide and Fund Financial Statements .....	53
D. Measurement Focus, Basis of Accounting and Financial Statement Presentation .....	54
E. Budgetary Accounting .....	56
F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance .....	56
G. Compensated Absences .....	59
H. Lottery Security Deposits .....	59
I. Interfund Activity and Balances .....	59
J. Pensions .....	59
<b>2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS .....</b>	<b>60</b>
<b>3. CASH, DEPOSITS, AND INVESTMENTS .....</b>	<b>61</b>
<b>4. DISAGGREGATION OF RECEIVABLES AND PAYABLES.....</b>	<b>78</b>
<b>5. INTERFUND TRANSACTIONS.....</b>	<b>79</b>
<b>6. CAPITAL ASSETS .....</b>	<b>80</b>
<b>7. RETIREMENT PLANS.....</b>	<b>84</b>
<b>8. DEFERRED COMPENSATION PLAN .....</b>	<b>90</b>
<b>9. SPECIAL PAY PLAN .....</b>	<b>90</b>
<b>10. FUND BALANCES AND NET POSITION.....</b>	<b>91</b>
<b>11. COMMITMENTS .....</b>	<b>94</b>
<b>12. SELF-INSURANCE .....</b>	<b>97</b>
<b>13. OPERATING LEASES .....</b>	<b>99</b>
<b>14. LONG-TERM LIABILITIES.....</b>	<b>100</b>
<b>15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES .....</b>	<b>113</b>
<b>16. POSTSECONDARY TECHNICAL INSTITUTE SYSTEM.....</b>	<b>113</b>
<b>17. TAX ABATEMENTS.....</b>	<b>114</b>
<b>18. RELATED PARTY TRANSACTIONS.....</b>	<b>114</b>
<b>19. SUBSEQUENT EVENTS.....</b>	<b>116</b>
<b>20. CONTINGENCIES AND LITIGATION.....</b>	<b>117</b>

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

## 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). GAAP allows for and requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

### B. Reporting Entity

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

#### *Blended Component Units*

Blended component units are legally separate entities that are, in substance, part of the State's primary government. A component unit is blended if: (1) services are provided, or almost entirely provided, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government; (2) the governing body is substantively the same as the governing board of the primary government; (3) the component unit's total debt outstanding is expected to be repaid entirely, or almost entirely, by the primary government, or (4) the primary government is the sole corporate member of a component unit incorporated as a not-for-profit corporation.

The State's blended component units are:

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

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

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

**The South Dakota Trust Company Receivership and Liquidation Captive Insurance Company, LLC** (Trust Captive), a nonprofit limited liability company, was established December 31, 2016. The Trust Captive was established to provide insurance to pay for losses if the South Dakota Department of Labor and Regulation, Division of Banking must take over a trust company chartered and regulated by the Division. The obligations of the Trust Captive shall not be deemed to constitute a debt, liability, or obligation of the State. Because the State of South Dakota is able to impose its will over the Trust Captive, and is the sole corporate member, the Trust Captive is considered a blended component unit. This financial presentation does not change the legal liability of the indebtedness. The Trust Captive has a fiscal year end of December 31 and is presented accordingly.

#### *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:

**The South Dakota Housing Development Authority (HDA)** was created by the Legislature under Chapter 11-11 of the South Dakota Codified Law for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the State of South Dakota. HDA issues negotiable notes and bonds. If an issue utilizes private activity bond cap, authorization is needed by the Governor of South Dakota. Notes and bonds of HDA 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 HDA. Because the State of South Dakota appoints a voting majority of the board and is able to impose its will over HDA, but does not meet any of the GASB's criteria for blending, HDA is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness.

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

**Higher Education** (Higher Ed) consists of six state public universities (Black Hills State University, Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and University of South Dakota), two special schools (South Dakota School for the Deaf and South Dakota School for the Blind and Visually Impaired), and the governing board, South Dakota Board of Regents (BOR). BOR was created under Article XIV of the Constitution of the State of South Dakota. Chapter 13-49 of the South Dakota Codified Law establishes the authority for BOR to govern the system of public higher education in the State of South Dakota. The system's primary goal is to provide high quality, diverse educational opportunities, and services to the people of South Dakota through the effective use of the

resources entrusted to it. Because the State of South Dakota is able to impose its will over the Higher Ed system and BOR and a financial benefit/burden relationship exists, but does not meet the GASB's criteria for blending, Higher Ed is considered a discretely presented component unit of the State.

Included in the balances and operating results for Higher Ed are six foundations that contribute financially to the six state public universities through fundraising. The foundations include Black Hills State University Foundation, Dakota State University Foundation, Northern State University Foundation, South Dakota School of Mines and Technology Foundation, South Dakota State University Foundation, and University of South Dakota Foundation. The universities do not control the timing or amount of receipts from their foundations. However, a majority of resources or income the foundations hold and invest are restricted by the donors for activities of the respective universities. These restricted resources held by the foundations can only be used by, or for the benefit of the specific universities; therefore, the foundations are considered component units of the universities and are included in Higher Ed.

Black Hills State University Foundation, South Dakota State University Foundation, and University of South Dakota Foundation have fiscal year ends of December 31.

The foundations are private not-for-profit entities that report under Financial Accounting Standards Board (FASB) pronouncements. As such, certain revenue recognition criteria and presentation features are different from that of the Governmental Accounting Standards Board (GASB). The foundations' financial statements have not been restated to reflect GASB pronouncements, but have been reformatted to comply with the classification and display requirements in GASB pronouncements. The foundations' notes to the financial statements have not been reformatted to reflect GASB pronouncements and thus are not reported in the notes to the financial statements of the primary government.

The State's nonmajor discretely presented component units are:

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

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

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

**The South Dakota Authority Captive Insurance Company, LLC** (The Authority Captive), a nonprofit limited liability company, was established August 12, 2015, to cover some of the liability risks of six authorities of the State (South Dakota Science and Technology Authority, South Dakota Building Authority, South Dakota Health and Educational Facilities Authority, Educational Enhancement Funding Corporation, South Dakota Ellsworth Development Authority, and South Dakota Housing Development Authority). The Authority Captive's coverage includes: commercial general liability; directors, officers, and entity coverage; employment practices liability; and errors and omissions. The obligations of The Authority Captive shall not be deemed to constitute a debt,



liability, or obligation of the State. Because the State of South Dakota appoints a voting majority of the board and is able to impose its will over The Authority Captive, but does not meet the GASB's criteria for blending, The Authority Captive is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness. The Authority Captive has a fiscal year end of December 31.

**The South Dakota Property and Casualty Captive Insurance Company, LLC** (The Property Captive), a nonprofit limited liability company, was established September 14, 2015, to provide property, including content, business income, and extra expense coverage on the State's buildings, including Higher Education buildings. Because the State of South Dakota appoints a voting majority of the board and is able to impose its will over The Property Captive, but does not meet the GASB's criteria for blending, The Property Captive is considered a discretely presented component unit of the State. This financial presentation does not change the legal liability of the indebtedness. The Property Captive has a fiscal year end of December 31.

### *Related Organizations*

**The South Dakota Health and Educational Facilities Authority** (HEFA) is a body politic, corporate, and public instrumentality of the State of South Dakota. The HEFA was created in 1972 to enhance the health and education of citizens of the State of South Dakota by providing healthcare, educational, and other non-profit institutions access to low cost capital. The State's accountability does not extend beyond appointing a voting majority of HEFA's board members. This relationship does not meet the GASB criteria of a component unit; therefore, HEFA is not included as part of the primary government reporting entity.

### *Separately Issued Financial Statements*

Separately issued financial statements for the entities listed below are available from the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, by calling (605) 773-3595, or online at <http://legislativeaudit.sd.gov/reports/reports.aspx>:

- South Dakota Building Authority
- South Dakota Conservancy District
- Educational Enhancement Funding Corporation
- South Dakota Trust Company Receivership and Liquidation Captive Insurance Company
- South Dakota Housing Development Authority
- South Dakota Science and Technology Authority
- South Dakota Economic Development Finance Authority
- South Dakota Ellsworth Development Authority
- South Dakota Authority Captive Insurance Company
- South Dakota Property and Casualty Captive Insurance Company
- South Dakota Health and Educational Facilities Authority

Higher Education and South Dakota Value Added Finance Authority do not have separately issued financial statements.

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program

revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included as program revenues are reported as general revenues.

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

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

##### *Government-wide Financial Statements*

The Statement of Net Position and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the State receives value without directly giving equal value in exchange, include taxes, grants, and donations. Tax revenue is recognized in the fiscal year in which the related sales, income, or activity being taxed occurred. At June 30, 2018, there was \$19,825,086 of bank tax receipts that were not recognizable in the State's financial statements because a reasonable estimate was unable to be determined for how much is considered measurable. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

##### *Governmental Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. Sales tax, motor fuel taxes, 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. Bank taxes are considered measurable when returns are filed, not when payments are received. 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 the accrual basis of accounting. However, expenditures related to debt service, compensated absences, capital leases, and claims and judgments are recorded only when payment is due and payable.

##### *Proprietary, Fiduciary, and Similar Component Units Financial Statements*

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

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

##### *Financial Statement Presentation*

The State reports the following major governmental funds:

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

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

**The Social Services Federal 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 which is invested by The South Dakota Investment Council. Transfers from this fund are made to the General Fund for the support of education in South Dakota.

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

The State reports the following major proprietary funds:

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

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

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

In addition, the State reports the following fund types:

*Governmental Funds:*

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

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

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

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

*Proprietary Funds:*

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

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

*Fiduciary Funds:*

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

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

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

*E. Budgetary Accounting*

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

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

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

The State’s annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts, and other commitments. Encumbrances at June 30, 2018 totaled \$30,797,618. The encumbrance amount is broken down by major fund and nonmajor fund below:

<b>Fund</b>	<b>Amount Encumbered</b>
Major Fund:	
General Fund	\$ 5,902,956
Transportation	6,264,907
Non-Major:	
Non-Major Total	18,629,755
<b>Total</b>	<b>\$ 30,797,618</b>

*F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance*

*Cash and Cash Equivalents and Investments*

Cash includes cash on hand, demand deposits, and foreign currency balances. Foreign currency cash balances are translated into United States Dollars (USD) using year-end spot foreign currency exchange rates. Cash equivalents include non-negotiable certificates of deposit, which are reported at cost. The State Investment Officer is responsible for the investment of state public funds. State public funds in the Cash Flow Fund are invested using the pooled deposit and investment concept which preserves the integrity of the fund cash balances of each state fund while simultaneously allowing the deposit and investment of aggregate idle fund monies. Investment income is allocated to participating funds per South Dakota law. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature. Investment income from the state trust funds is deposited into their respective funds.

Investments, as reported on the balance sheet, represent all investments not considered cash equivalents. Investments include corporate stocks, bonds, convertible debt, U.S. government and agency securities, mortgage backed securities, negotiable certificates of deposit, repurchase agreements, annuity contracts, investment contracts, international securities, private equity, and real estate. Investments are reported at fair value, in accordance with GASB Statement No. 72 – *Fair Value Measurement and Application*.

Investments denominated in foreign currencies are translated into USD using the year-end spot foreign currency exchange rates. Foreign exchange rate gains or losses are included with the net appreciation in fair value of investments.

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of net position as of June 30, 2018. Actual results could differ from those estimates.

For additional information see *Note 3. Cash, Deposits, and Investments* in the Notes to the Financial Statements.

### *Receivables*

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

### *Inventories*

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

Federal commodities on hand are reported as inventories, offset by unearned revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2018, the commodities inventory was reported in the amount of \$760,985.

### *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. Donated capital assets, donated works of art and similar items, and capital assets received in service concession arrangements are capitalized at acquisition value.

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 asset is \$1,000,000 or more for governmental funds and fiduciary funds, and \$50,000 or more for proprietary funds and component units. Intangible assets such as easements, patents, trademarks, internally generated computer software, etc. (as defined by GASB Statement 51) are capitalized when the cost is \$250,000 or more, except for purchased software licenses which are capitalized when the cost is \$5,000 or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business-type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasures and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was \$8,917,596 and \$375,585 respectively, as of June 30, 2018. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

### *Deferred Outflows of Resources*

Deferred outflows of resources represent a consumption of net position by the government that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported on the Government-wide Statement of Net Position in the applicable columns for governmental activities, business-type activities, or component units. Deferred outflows of resources of governmental funds, proprietary funds, and component units are reported in detail in their respective fund statements.

### *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 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.

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.

### *Deferred Inflows of Resources*

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported on the Government-wide Statement of Net Position in the applicable columns for governmental activities, business-type activities, or component units. Deferred inflows of resources of governmental funds, proprietary funds, and component units are reported in detail in their respective fund statements.

### *Net Position and Fund Balances*

“Net position” on the Government-wide, Proprietary, and Fiduciary Funds Financial Statements and “fund balance” on the Governmental Fund Financial Statements consists of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported in three categories:

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

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

**Unrestricted net position** consists of assets that do not meet the definition of the two preceding categories.

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

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

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

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

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

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

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

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

### *G. Compensated Absences*

All full-time and permanent part-time employees earn vacation leave and sick leave. Employees earn fifteen days of vacation leave per year that can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days of vacation leave per year that can be accumulated to forty days. Upon termination, employees receive payment for their accumulated vacation leave. Employees earn fourteen days of 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, 2018, the amount of certificate of deposits and deposits in cash being held by the Lottery was \$482,344 and is included in restricted cash and investments on the balance sheet. The amount of \$5,953,400 was in the form of surety bonds or irrevocable letters of credit and is not reported on the Statement of Net Position.

### *I. Interfund Activity and Balances*

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

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

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

### *J. Pensions*

For the purposes of measuring the net pension asset, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deductions from SDRS fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

## 2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

### *Implementation of Recent GASB Pronouncements*

For the fiscal year ended June 30, 2018, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement 81, *Irrevocable Split-Interest Agreements*

GASB Statement 85, *Omnibus 2017*

GASB Statement 86, *Certain Debt Extinguishment Issues*

**GASB Statement 75.** This Statement establishes new accounting and financial reporting standards for defined benefit other postemployment benefits (OPEB) and defined contribution OPEB that are provided to the employees of state and local governmental employers. This Statement has no effect on the State of South Dakota.

**GASB Statement 81.** This Statement establishes accounting and financial reporting standards for irrevocable split-interest agreements in which a government is a beneficiary. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts, or other legally enforceable agreements in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government and at least one other beneficiary. This Statement has no effect on the State of South Dakota.

**GASB Statement 85.** This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This Statement has no effect on the State of South Dakota.

**GASB Statement 86.** This Statement establishes standards of accounting and financial reporting for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the purpose of extinguishing debt. It also provides guidance relating to prepaid insurance associated on debt that is extinguished. This Statement has no effect on the State of South Dakota.

### *Restatements – Primary Government*

Beginning fund balance for the South Dakota Soybean Research and Promotion Council fund, reported as a non-major governmental fund, increased by \$305,429 for an error in reporting revenues. The beginning net position reported for governmental activities in the Government-wide Statement of Activities increased by the same amount.

Beginning fund balance for the Department of Agriculture Corn Check-Off fund, reported as a non-major governmental fund, increased by \$1,125,903 for an error in reporting revenues. The beginning net position reported for governmental activities in the Government-wide Statement of Activities increased by the same amount.

### *Restatements – Component Units*

The beginning net position balance reported for Higher Education, reported as a major discretely presented component unit, decreased by \$428,000 for errors in the reporting of cash, receivables, liabilities, capital assets and other miscellaneous reporting errors in prior years. This restatement will have the same effect on the government-wide 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 \$23,668,051 for deficit cash balances that existed in various state funds at June 30, 2018, 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.

Securities that are unclaimed at financial institutions are transferred to the State. The securities or proceeds can be claimed by the owners under established procedures. The Office of the State Treasurer administers any unclaimed securities per SDCL §43-41B, Uniform Unclaimed Property Act. Effective July 1, 2018, any stocks, bonds, and other negotiable instruments will be sold within one hundred eighty days of confirmed receipt, unless involved in an open claim. As of June 30, 2018, the securities, for which cost at the time of acquisition is not readily available, have a market value of \$1,026,639, and are shown as securities held as escheat property in the General Fund.

#### *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, the Science and Technology Authority, the Housing Development Authority, the Property and Casualty Captive Insurance Company, and the Authority Captive Insurance Company 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 Portfolio. This category represents the investments of the South Dakota Retirement System. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council (SDIC) and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, and the Vocational Education Program.

#### *Deposits*

##### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of a depository institution, the State of South Dakota will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Cash Flow Portfolio's certificates of deposit and other deposits in state financial institutions in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution, but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. As of June 30, 2018, pledged collateral for one depository did not equal at least 100 percent of the total public deposits in excess of depository insurance. As a result, \$48,820 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit risk.

The Retirement Portfolio has a formal deposit policy specific to custodial credit risk and foreign currencies. The policy states that the United States Dollar (USD) equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date +7 days basis. At June 30, 2018, the Retirement Portfolio 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 Portfolio was exposed to custodial credit risk of \$6,205,000.

The Trust Portfolios have a formal deposit policy specific to custodial credit risk. The policy states that the USD equivalent of any non-USD currency cannot exceed 2.0% of the portfolio fair value on a trade date +5 days basis. At June 30, 2018, the Trust Portfolios had bank balances in various foreign currencies. These deposits are not collateralized or covered by depository insurance. As a result, the Trust Portfolios were exposed to custodial credit risk of \$61,128.

The Other Funds have no formal deposit policy specific to custodial credit risk. At June 30, 2018, 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 \$108,261.

## *Investments*

### *Securities Lending*

State statutes and SDIC policies permit the use of investments for securities lending transactions. These transactions involve the lending of corporate debt, foreign equity securities, and domestic equity securities to broker-dealers for collateral in the form of securities, with the simultaneous agreement to return the collateral for the same securities in the future. All securities loans can be terminated on demand by either the SDIC or the borrower. As of June 30, 2018, the fair value of securities on loan was \$272,087,535, and the collateral held on the same date was \$278,286,884. At year-end, the SDIC has no credit risk exposure to borrowers because the amounts the SDIC owes the borrowers exceed the amounts the borrowers owe the SDIC.

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

The contract with the lending agent requires the agent to indemnify the SDIC if the borrowers fail to return the loaned securities and the collateral is inadequate to replace the securities lent.

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

### *Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. SDIC securities lending policies are detailed in the preceding Securities Lending section. As of June 30, 2018, the SDIC does not have custodial credit risk with regards to security lending collateral. The Other Funds do not have a policy for custodial credit risk. The Other Funds had custodial credit risk totaling \$251,030,683 in guaranteed investment contracts, Federal agency bonds, U.S. Treasury bonds, and U.S. Treasury notes not held in their name at June 30, 2018.

### *Interest Rate Risk*

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

The Cash Flow Portfolio short term portfolio policy limits average portfolio duration to 2.88 years, and no holding's maturity can exceed 5.25 years. The Retirement Portfolio fixed income portfolio duration must fall between 70% and 130% of the duration of the FTSE US Broad Investment Grade (BIG) Index. The Cash Flow Portfolio intermediate term portfolio and the Trust Portfolios investment-grade fixed income portfolios are benchmarked to the duration of the FTSE BIG Index. No formal interest rate risk policy exists for the fixed income portfolios of the Other Funds.

The weighted modified durations (in years) of the various funds are listed in the following table (Dollars Expressed in Thousands):

Investment Type	Cash Flow Portfolio		Retirement Portfolio		Trust Portfolios		Other Funds	
	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	\$ 54,031	4.30	\$ 73,050	3.88	\$ 13,883	3.88	\$ 54,859	0.38
U.S. Treasury Bills			650,973	0.20	1,141	0.12		
U.S. Treasury STRIPS	55,429	8.50	189,948	8.50	36,103	8.50		
U.S. Agencies	211,376	1.59	62,694	4.42	11,918	4.42	30,827	0.25
U.S. Agency Discount Notes			7,808	0.09				
U.S Government-backed Loans								
Investment Grade Corporates	610,067	2.49	374,921	4.50	68,731	4.47		
High-yield Corporates			462,764	3.81	1,594	5.21		
High-yield Bond Mutual Fund					52,062	4.50		
Agency Mortgage-backed Securities	77,339	6.13	309,357	5.73	58,645	5.64		
Non-agency Mortgage-backed Securities			749,953	0.73	68,166	0.72		
Municipal Bonds					45,521	4.73		
Investment Agreements			11,687	0.01			144,809	7.67
<b>Total</b>	<b>\$ 1,008,242</b>		<b>\$ 2,893,155</b>		<b>\$ 357,764</b>		<b>\$ 230,495</b>	
Portfolio Modified Duration		<u>3.01</u>		<u>2.79</u>		<u>4.35</u>		<u>4.94</u>

### 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 short term portfolio can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and 0.5% in individual holdings of corporate securities rating Baa3. The SDIC sets the investment policy annually for the Cash Flow Portfolio intermediate term portfolio, Trust Portfolios, and the Retirement Portfolio. This policy establishes the benchmark percentage invested in each asset category and the minimum and maximum range of each asset category.

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

Statutes authorize the Vocational Education Program to invest in the following: (1) direct obligations of the U.S.; (2) obligations issued by any agency or instrumentality of the U.S.; (3) certificates of deposit or time deposits of any bank which is a qualified public depository or any savings and loan association which is a savings and loan depository; (4) obligations of any solvent insurance company or other corporation existing under the laws of the U.S., or any state thereof provided the company or corporation is rated in one of the two highest rating classifications established by a standard rating service of insurance companies or a nationally recognized rating agency; (5) short-term discount obligations of the FNMA; or (6) obligations issued by any state of the U.S.

The Education Enhancement Funding Corporation does not have a formal policy on investment credit risk.

As of June 30, 2018, 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 Portfolio	Trust Portfolios	Other Funds
	Fair Value	Fair Value	Fair Value	Fair Value
Aaa	\$ 442,066	\$ 2,035,317	\$ 532,438	\$ 30,935
Aa	103,116	108,713	37,729	
A	383,442	154,900	37,566	
Baa	104,407	201,776	32,520	144,809
Ba		231,419	9,205	
B		236,251	4,714	
Caa		315,868	18,731	
Ca		134,989	11,247	
C		1,009	42	
P-1		19,494		
Unrated		172,418	76,114	
<b>Total</b>	<b>\$ 1,033,031</b>	<b>\$ 3,612,154</b>	<b>\$ 760,306</b>	<b>\$ 175,744</b>

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to USD (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, 2018, are as follows (Expressed in Thousands):

Currency	Retirement Portfolio			Trust Portfolios		
	Equities	Cash	Total	Equities	Cash	Total
	U.S. Dollar Fair Value	U.S. Dollar Fair Value		U.S. Dollar Fair Value	U.S. Dollar Fair Value	
Australian Dollar	\$ 9,856	\$	\$ 9,856	\$	\$	\$
Brazilian Real	1,110		1,110			
British Pound	246,996	3,615	250,611	19,470	12	19,482
Canadian Dollar	100,551	622	101,173	6,592	9	6,601
Czech Koruna	587		587			
Danish Kroner	451	5	456			
Euro	247,317	760	248,077	16,303		16,303
Hong Kong Dollar	11,076	108	11,184			
Hungarian Forint	521		521			
Japanese Yen	145,866	1,094	146,960	7,778	40	7,818
South Korean Won	71,850		71,850	5,386		5,386
Norwegian Krone	704		704			
Singapore Dollar	1,005		1,005			
Swedish Krona	13,372		13,372	1,269		1,269
Swiss Franc	195,931		195,931	18,623		18,623
Thai Baht	898		898			
<b>Total Fair Value</b>	<b>\$ 1,048,091</b>	<b>\$ 6,204</b>	<b>\$ 1,054,295</b>	<b>\$ 75,421</b>	<b>\$ 61</b>	<b>\$ 75,482</b>

Investments with limited partnerships and certain global equity investments with outside managers, which are not included in the table above, may expose the State to additional foreign currency risk. For the Trust Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2018, was \$167,625,093. For the Retirement Portfolio, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2018, was \$1,974,600,660. The total fair value of global equity investments and high-yield fixed income investments managed by outside managers was \$187,058,008 and \$22,989,263, respectively.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Cash Flow Portfolio has a policy in place limiting its investments in individual holdings. Information regarding the Cash Flow Portfolio policy is located in the Credit Risk section. The SDIC does not have a formal policy in place to limit investments in any particular issuer for the Retirement Portfolio and Trust Portfolios. Additionally, there are no single issuer exposures (excluding those issued by or explicitly guaranteed by the U.S. Government, or involving mutual funds or investment pools) within the portfolios that comprise 5% of the overall portfolios at June 30, 2018.

### *Derivative Financial Instruments in Primary Government*

#### *Retirement Portfolio and Trust Portfolios*

Derivatives are generally defined as a contract whose values depend on, or derive from, the value of an underlying asset, reference rate or index. The Retirement Portfolio is exposed to a variety of derivative products through the investment management of the SDIC and their outside managers. The Trust Portfolios utilized no derivative instruments in SDIC's internally managed portfolios, but may be exposed to a variety of derivative products through their outside managers. The following notes detail the derivative instruments used in the SDIC's internally managed portfolios. All of the SDIC's derivatives are classified as investment derivatives.

#### *Futures Contracts*

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. The SDIC purchases and sells futures contracts as a means of adjusting the Retirement Portfolio's mix at a lower transaction cost than the transactions, which would otherwise occur in the underlying portfolios. During fiscal year ended June 30, 2018, S&P 500 futures and 10-year U.S. Treasury note futures were utilized. Upon entering into such a contract, SDIC pledges to the broker cash or U.S. government securities equal to the minimum initial margin requirement of the futures exchange. Additionally, the portfolio receives or pays a daily variation margin, which is an amount of cash equal to the daily fluctuation in value of the contract. The change in fair value of the futures contracts is presented in the Statement of Changes in Net Position as "Net appreciation in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2018 was (\$226,396,078).

At June 30, 2018, futures contracts outstanding were as follows:

	<u>Open Position</u>	<u>Contracts</u>	<u>Notional Contract size</u>	<u>Fair Value (Exposure)</u>
U.S. Treasury Note Future Due September 2018	Long	4,325	\$100,000 par value 6% U.S. Treasury note	\$ 519,810,983
S&P 500 Index Future Due September 2018	Short	15,370		\$ (2,091,472,750)

#### *Foreign Currency Forward Contracts*

The SDIC enters into foreign exchange forward contracts to manage foreign currency exposure, as permitted by portfolio policies. The fair values of the contracts are presented in the Statement of Net Position as "Investments at fair value – Equities." The change in fair value of the forward contracts is presented in the Statement of Changes in Net Position as "Net appreciation in fair value of investments." For fiscal year ended June 30, 2018, the net change in fair value from foreign currency forward contracts was \$1,251,454. At June 30, 2018, the foreign currency forward contracts outstanding were as follows:

<u>Description</u>	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Fair Value (U.S. Dollars)</u>
Forward Sale	(20,770,519) CHF	8/8/18	\$ (136,988)

### *Credit Risk*

SDIC is exposed to credit risk on derivative instruments that are in asset positions. The SDIC attempts to minimize credit risk by entering into derivatives contracts with major financial institutions. At June 30, 2018, the net fair value of foreign currency forward contracts was \$0. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

### *Interest Rate Risk*

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

### *Foreign Currency Risk*

SDIC is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in foreign currencies. The net fair value of the foreign currency forward contracts in USD is (\$136,988).

### *Fair Value Measurement*

Investments are reported at fair value as of June 30, 2018 to the extent available. GASB Statement No. 72- *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other than quoted prices included within Level 1 that are observable; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the hierarchy below.

The following tables summarize the Cash Flow Portfolio, Retirement Portfolio, Trust Portfolios, and Other Funds investments within the fair value hierarchy as of June 30, 2018 (Expressed in Thousands):

#### **Cash Flow Portfolio:**

	Total	Cash Flow Fund Portfolio		
		Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
U.S. Treasuries	\$ 54,031	\$	\$ 54,031	\$
U.S. Treasury STRIPS	55,429		55,429	
U.S. Agencies	211,376		211,376	
Investment Grade Corporates	610,067		610,067	
Agency Mortgage-backed Securities	77,339		77,339	
Total Fixed Income Securities	1,008,242	0	1,008,242	0
<b>Total Investments by Fair Value Level</b>	<b>1,008,242</b>	<b>\$ 0</b>	<b>\$ 1,008,242</b>	<b>\$ 0</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Short-term Investment Funds	211,588			
Total Investments Measured at the NAV	211,588			
<b>Total Investments Measured at the Fair Value</b>	<b>\$ 1,219,830</b>			

## Retirement Portfolio:

	Retirement Portfolio			
	Total	Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
Fixed Income Securities				
U.S. Treasuries	\$ 73,050	\$	\$ 73,050	\$
U.S. Treasury Bills	650,973		650,973	
U.S. Treasury STRIPS	189,948		189,948	
U.S. Agencies	62,694		62,694	
U.S. Agency Discount Notes	7,808		7,808	
Investment Grade Corporates	374,921		374,921	
High Yield Corporates	462,764		462,764	
Agency Mortgage-backed Securities	309,357		309,357	
Non-Agency Mortgage-backed Securities	749,953		749,953	
Commercial Paper	11,687		11,687	
Total Fixed Income Securities	<u>2,893,155</u>	<u>0</u>	<u>2,893,155</u>	<u>0</u>
Equity Securities				
Domestic Stock	4,117,951	4,111,880	6,070	
Depository Receipts	66,619	66,619		
ETF - Exchange Traded Funds	140,315	140,315		
International Stock	1,048,090	1,048,090		
Preferred Stock	5,575		5,575	
Stock Warrants	11,071	11,071		
Total Equity Securities	<u>5,389,621</u>	<u>5,377,975</u>	<u>11,645</u>	<u>0</u>
Alternative Investments				
Real Estate Funds	846			846
Total Alternative Investments	<u>846</u>	<u>0</u>	<u>0</u>	<u>846</u>
<b>Total Investments by Fair Value Level</b>	<u>8,283,622</u>	<u>\$5,377,975</u>	<u>\$2,904,800</u>	<u>\$ 846</u>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Short-term Investment Funds	1,725,895			
Emerging Markets Small Cap Equity Mutual Funds	62,400			
Mult Strategy Hedge Funds	124,658			
Alternative Investments				
Real Estate Funds	1,013,953			
Private Equity Funds	959,801			
Other Funds	22,989			
Total Alternative Investments	<u>1,996,743</u>			
Total Investments Measured at the NAV	<u>3,909,696</u>			
Total Investments Measured at the Fair Value	12,193,318			
Plus: Cash Held by Fund Managers	8,106			
Less: G/L on FX Transactions	(137)			
Less: Accrued Monthly Interest	(3,834)			
<b>Total</b>	<u>\$12,197,453</u>			
<b>Investment Derivative Instruments</b>				
Futures Contracts (Liability)	\$	\$	\$	
Foreign Exchange Forward Contracts	(137)		(137)	
<b>Total Investment Derivative Instruments</b>	<u>\$ (137)</u>	<u>\$ 0</u>	<u>\$ (137)</u>	

## Trust Portfolios:

	Trust Portfolios			
	Total	Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
Fixed Income Securities				
U.S. Treasuries	\$ 13,883	\$	\$ 13,883	\$
U.S. Treasury Bills	1,141		1,141	
U.S. Treasury STRIPS	36,103		36,103	
U.S. Agencies	11,918		11,918	
Investment Grade Corporates	68,731		68,731	
High Yield Corporates	1,594		1,594	
Agency Mortgage-backed Securities	58,645		58,645	
Non-Agency Mortgage-backed Securities	68,166		68,166	
Municipal Bonds	45,521		45,521	
Total Fixed Income Securities	<u>305,702</u>	<u>0</u>	<u>305,702</u>	<u>0</u>
Equity Securities				
Domestic Stock	278,101	278,101		
Depository Receipts	12,369	12,369		
ETF - Exchange Traded Funds	11,535	11,535		
International Stock	75,421	75,421		
Total Equity Securities	<u>377,426</u>	<u>377,426</u>	<u>0</u>	<u>0</u>
Alternative Investments				
Other Funds				
Total Alternative Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Investments by Fair Value Level</b>	<b><u>683,128</u></b>	<b><u>\$ 377,426</u></b>	<b><u>\$ 305,702</u></b>	<b><u>\$ 0</u></b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Short-term Investment Funds	472,077			
High Yield Bond Mutual Funds	52,062			
Alternative Investments				
Real Estate Funds	98,899			
Private Equity Funds	67,333			
Other Funds	1,393			
Total Alternative Investments	<u>167,625</u>			
Total Investments Measured at the NAV	<u>691,764</u>			
<b>Total Investments Measured at the Fair Value</b>	<b><u>\$ 1,374,892</u></b>			

## Other Funds:

	Other Funds			
	Total	Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
U.S. Treasuries	\$ 75,394	\$	\$ 75,394	\$
U.S. Agencies	30,827		30,827	
Total Fixed Income Securities	<u>106,221</u>	<u>0</u>	<u>106,221</u>	<u>0</u>
<b>Total Investments by Fair Value Level</b>	<b><u>\$ 106,221</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 106,221</u></b>	<b><u>\$ 0</u></b>



Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for identical securities as of the measurement date as issued by pricing vendors.

Equity securities classified in Level 2 of the fair value hierarchy are valued using a quoted price for a similar security in an active market, and valuations from various pricing vendors/brokers using observable inputs other than quoted prices for identical securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The prices are determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

In the Retirement Portfolio, real estate funds classified in Level 3 of the fair value hierarchy are real estate alternative investments that invest primarily in overseas commercial real estate. These are investments which quoted prices are not readily available and are valued at estimated values as determined by the General Partner (GP). Investments are valued by the GP using one or more valuation methodologies with reference to the International Private Equity and Venture Capital Valuation Guidelines. The estimated fair values are subjective and based on judgment.

In the Trust Portfolios, the Other Fund classified in Level 3 of the fair value hierarchy is valued at zero. It is an investment in an alternative investment fund that invested in distressed and defaulted debt securities and equities of financially troubled companies. All positions in the fund have been liquidated and only cash remains. The fund holds contingent liabilities that offset cash. Due to the highly questionable outcome of the contingent liabilities it has been determined that a value of zero best reflects the fair value considering the information available as of June 30, 2018.

The portfolios may hold shares or interests in investments where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient. The NAV valuations are based on valuations of the underlying companies as determined and reported by the fund manager or general partner.

In the Retirement Portfolio, derivative instruments classified in Level 2 of the fair value hierarchy are valued using observable inputs other than quoted prices for identical securities. The foreign currency forward contract valuations are determined by interpolating FX rates for various settlement dates as of June 30, 2018.

The following table summarizes the fair value, unfunded commitments, and redemption rules of those investments as of June 30, 2018 (Expressed in Thousands):

<b>Investments Measured at the NAV</b>		<b>Cash Flow Fund Portfolio</b>		
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if currently eligible)</b>	<b>Redemption Notice Period</b>
Short-term Investment Funds (a)	\$ 211,588	\$	Daily	0 days
<b>Investments Measured at the Net Asset Value (NAV)</b>	<b>\$ 211,588</b>			
<b>Investments Measured at the NAV</b>		<b>Trust Portfolios</b>		
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if currently eligible)</b>	<b>Redemption Notice Period</b>
Short-term Investment Funds (a)	\$ 472,077	\$	Daily	0 days
High Yield Bond Mutual Funds (b)	52,062		Daily	1 day
Alternative Investments				
Real Estate Funds (c)	98,899	125,372		
Private Equity Funds (d)	67,333	61,817		
Other Funds (e)	1,393			
Total Alternative Investments	167,625			
<b>Investments Measured at the Net Asset Value (NAV)</b>	<b>\$ 691,764</b>			
<b>Investments Measured at the NAV</b>		<b>Retirement Portfolio</b>		
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if currently eligible)</b>	<b>Redemption Notice Period</b>
Short-term Investment Funds (a)	\$ 1,725,895	\$	Daily	0 days
Emerging Markets Small Cap Equity Mutual Funds (f)	62,400		Daily	1 day
Multi Strategy Hedge Funds (g)	124,658		Monthly	5-30 days
Alternative Investments				
Real Estate Funds (c)	1,013,953	1,235,218		
Private Equity Funds (d)	959,801	723,393		
Other Funds (e)	22,989			
Total Alternative Investments	1,996,743			
<b>Investments Measured at the Net Asset Value (NAV)</b>	<b>\$ 3,909,696</b>			
Real Estate Funds (Level 3)	\$ 846			

*a. Short Term Investment Funds.* This type includes investments in open-end mutual funds that invest exclusively in high-quality, short-term securities that are issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. The fair value of the investment in this type has been determined using the NAV per share of the investment.

*b. High Yield Bond Mutual Funds.* This type includes an investment in one open-end mutual fund that invests mainly in a diversified group of high-yielding, higher risk corporate bonds with medium and lower range credit-quality ratings. The fair value of the investment in this type has been determined using the NAV per share of the investment.

*c. Real Estate Funds.* This type includes 15 (Trust Portfolios) and 26 (Retirement Portfolio) real estate funds that invest primarily in commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years.

Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

*d. Private Equity Funds.* This type includes 11 (Trust Portfolios) and 36 (Retirement Portfolio) private equity funds that invest primarily in leveraged buyouts. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 20 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

*e. Other Funds.* This type includes 2 other alternative investments that invest primarily in a broad range of debt, debt-related, and real estate-related investments. The fair values of the investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital. These investments can never be redeemed from the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 5 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the portfolio's ownership interest in partners' capital.

*f. Emerging Markets Small Cap Equity Mutual Funds.* This type included one investment in an open-end mutual fund that emphasizes broad diversification and consistent exposure to emerging market small company stocks. The fair value of the investment in this type has been determined using the NAV per share of the investment.

*g. Multi Strategy Hedge Funds.* This type includes two investments in funds that may invest in a wide range of asset classes in order to meet fund objectives. The fair values of the investments in this type have been determined using the NAV per share of the investments.

## *B. Component Units*

### *Deposits*

#### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of the failure of a depository institution, the component unit's deposits may not be returned to it. The Housing Development Authority deposit policy requires deposits in excess of the depository insurance maximums be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled either directly or indirectly by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. The additional component units do not have deposit policies for custodial credit risk. As of June 30, 2018, the SD Science and Technology Authority's deposits were exposed to an immaterial amount of custodial credit risk that was resolved in July. The other component units had no deposits that were not collateralized or covered by depository insurance.

### *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, 2018, investments in the amount of \$1,670,498 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 Housing Development Authority has limits on the maturities of investments for their restricted accounts. Investments of the Capital Reserve accounts must provide for the purposes thereof as estimated by the Housing Development

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

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

The Ellsworth Development Authority and the Science and Technology Authority do not have policies for interest rate risk.

As of June 30, 2018, the Housing Development Authority and the Economic Development Finance Authority 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. Government Obligations	\$ 118,776	\$ 17,747	\$ 82,989	\$ 17,660	\$ 380
U.S. Treasury Notes	1,059	782	277		
Certificates of Deposit	13,160	6,284	6,876		
U.S. Agencies	861,261	117,079	48,572	44,992	650,618
Mutual Funds	169,673	169,673			
Municipal Bonds	366		285	81	
State Obligations	2,585		1,691	894	
Investment Agreements					
<b>Total</b>	<b>\$ 1,166,880</b>	<b>\$ 311,565</b>	<b>\$ 140,690</b>	<b>\$ 63,627</b>	<b>\$ 650,998</b>

### Credit Risk

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

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

The Ellsworth Development Authority and the Science and Technology Authority are limited to investments permitted by State statute.

As of June 30, 2018, the Housing Development Authority and Economic Development Finance Authority investments had the following ratings (Expressed in Thousands):

Moody's Rating	Fair Value
Aaa	\$ 654,006
Aa	627
A	81,167
Unrated	8,743
<b>Total Fair Value</b>	<b>\$ 744,543</b>

## Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

As of June 30, 2018, the Economic Development Finance Authority permits the maximum portfolio exposure to permitted investments:

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

The Housing Development Authority will minimize Concentration Credit Risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. As of June 30, 2018, Housing Development Authority's investments held 5% or more of the following issuers: Federal Home Loan Mortgage Corporation (12.07%) and Federal National Mortgage Association (24.67%).

## Hedging Derivative Financial Instruments in Component Units

### South Dakota Housing Development Authority

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

### Swap Terms

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2018, 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 (Dollars Expressed in Thousands).

Bond Series	Current Notional Amount	Effective Date	Fixed Payable Rate	Variable Rate Received	Termination Date	Counterparty Credit Rating*	Fair Value
<b>Wells Fargo Bank</b>							
2015 E-1	\$ 25,000	12/17/2015	2.11%	66.4% of LIBOR plus 0.22%	11/01/2037	Aa1	\$ 902
2015 E-2	25,000	12/17/2015	66.4% of LIBOR plus 0.22%	22yr MMD plus 0.87%	11/01/2037	Aa1	267
2016 E-1	50,000	11/01/2016	2.21%	66.4% of LIBOR plus 0.23%	05/01/2037	Aa1	1,559
2016 E-2	50,000	11/01/2016	66.4% of 1M LIBOR plus 0.23%	21yr MMD plus 0.95%	05/01/2037	Aa1	714
<b>Merrill Lynch Derivative Products, AG.</b>							
MPB 2008 A	6,580	08/02/2008	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(64)

\* Moody's Investors Service

The fair values presented on the prior page were estimated by the Housing Development Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations, along with consideration for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table on the prior page represent the termination payments that would have been due had the swaps been terminated as of June 30, 2018. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

### *Swap Risks*

#### *Credit Risk*

The terms of the swaps expose the Housing Development Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure to its counterparties when the swap positions have a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral thresholds are based on the prevailing ratings, as determined by Moody's and Standard & Poor's, of each counterparty, in the case of the counterparties, or hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2018, neither the Authority nor any counterparty had been required to post collateral.

#### *Basis Risk*

The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2018, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.16% per annum, while the weighted average interest rate on the swaps was 1.26% 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.

### *Concentration Risk*

The total outstanding bonds associated with swaps will be limited to thirty percent (30%) of the total of all outstanding bonds under the related indenture at the time bonds associated with swaps are issued. The total outstanding notional amount of swaps with a single counterparty will not exceed \$150,000,000.

### *Swap Payments and Associated Debt*

As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2018 (Expressed in Thousands):

<b>Year-end June 30</b>	<b>Variable-rate Bond</b>		<b>Interest Rate Swap – Net</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>		
2019	\$ 110	\$ 2,914	\$ (1,190)	\$ 1,834
2020	120	2,912	(1,045)	1,987
2021	120	2,910	(1,047)	1,983
2022	130	2,908	(1,050)	1,988
2023	130	2,906	(1,052)	1,984
2024-2028	2,150	14,488	(5,302)	11,336
2029-2033	37,475	11,587	(4,189)	44,873
2034-2038	38,195	3,473	(939)	40,729
2039-2043	1,410	211	256	1,877
2044-2048	1,740	82	99	1,921
<b>Total</b>	<b>\$ 81,580</b>	<b>\$ 44,391</b>	<b>\$ (15,459)</b>	<b>\$ 110,512</b>

### *Rollover Risk*

Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority did not have any rollover risk as of June 30, 2018.

### *Mortgage-backed Security (MBS) Forwards Contracts*

The South Dakota Housing Development Authority has entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by Ginnie Mae and Fannie Mae in the future, before the securities are ready for delivery (referred to as “to-be-announced” or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Authority approved lenders. The forward contracts offset the financial impact to the Authority of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. The forward contracts are considered hedging derivative instruments and the fair values were obtained from an external pricing specialist using current trade pricing for similar financial instruments in active markets that the Authority has the ability to access. A positive fair value represents money due the Authority by the counterparty, while a negative fair value represents money payable by the Authority.

Outstanding forward sales contracts as of June 30, 2018, are as follows:

<b>Forward Contracts to sell TBA Mortgage- Backed Securities</b>	<b>Notional Amount June 30</b>	<b>Trade Date</b>	<b>Delivery Date</b>	<b>Coupon Rate</b>	<b>Fair Values June 30</b>	<b>Moody's Credit Rating</b>
<b>Bank of America Merrill Lynch</b>						
FNMA	\$ 1,000,000	05/08/2018	07/12/2018	5.00%	\$ (2,969)	Aaa
GNMA II	1,000,000	05/14/2018	07/19/2018	4.50%	(4,844)	Not rated
FNMA	1,000,000	06/25/2018	07/12/2018	4.50%	(1,563)	Aaa
FNMA	(1,000,000)	06/25/2018	07/12/2018	5.00%	1,876	Aaa
<b>Bank of New York Mellon</b>						
GNMA II	500,000	04/20/2018	07/19/2018	4.50%	(2,109)	Not rated
FNMA	1,000,000	05/15/2018	08/13/2018	4.00%	(8,555)	Aaa
FNMA	600,000	06/12/2018	09/13/2018	4.50%	(2,391)	Aaa
GNMA II	700,000	06/14/2018	08/21/2018	4.00%	(1,832)	Not rated
GNMA II	700,000	06/14/2018	08/21/2018	4.50%	(1,394)	Not rated
<b>Bank of Oklahoma</b>						
FNMA	500,000	04/12/2018	07/12/2018	5.00%	1,133	Aaa
GNMA II	600,000	05/10/2018	07/19/2018	4.00%	(3,188)	Not rated
FNMA	1,000,000	05/15/2018	08/13/2018	5.00%	(5,938)	Aaa
GNMA II	500,000	05/16/2018	07/19/2018	4.50%	(4,297)	Not rated
GNMA II	1,000,000	05/18/2018	08/21/2018	4.50%	(7,656)	Not rated
FNMA	500,000	05/29/2018	08/13/2018	4.50%	117	Aaa
GNMA II	500,000	05/29/2018	08/21/2018	4.50%	(625)	Not rated
GNMA II	1,000,000	06/04/2018	08/21/2018	4.50%	(313)	Not rated
GNMA II	600,000	06/18/2018	08/21/2018	4.50%	(914)	Not rated
GNMA II	600,000	06/26/2018	09/20/2018	4.00%	(1,125)	Not rated
GNMA II	600,000	06/26/2018	09/20/2018	4.50%	(703)	Not rated
FNMA	500,000	06/28/2018	09/13/2018	5.00%	(156)	Aaa
GNMA II	1,800,000	06/28/2018	09/20/2018	4.50%	(491)	Not rated
<b>ED&amp;F Man Capital Markets</b>						
GNMAII	700,000	05/01/2018	07/19/2018	4.50%	(3,773)	Not rated
FNMA	500,000	05/10/2018	07/12/2018	4.00%	(2,656)	Aaa
GNMAII	600,000	05/10/2018	07/19/2018	4.50%	(3,281)	Not rated
GNMAII	1,200,000	05/24/2018	08/21/2018	4.50%	(3,938)	Not rated
FNMA	123,100	06/08/2018	07/12/2018	4.00%	(500)	Aaa
GNMAII	713,464	06/15/2018	07/19/2018	4.50%	(557)	Not rated
GNMAII	1,000,000	06/19/2018	09/20/2018	4.50%	77	Not rated
FNMA	500,000	06/27/2018	09/13/2018	4.00%	78	Aaa
FNMA	500,000	06/27/2018	09/13/2018	4.50%	(39)	Aaa
<b>Daiwa Capital Markets</b>						
FNMA	500,000	04/17/2018	07/12/2018	4.00%	234	Aaa
FNMA	1,000,000	04/25/2018	07/12/2018	5.00%	(4,531)	Aaa
FNMA	1,000,000	05/21/2018	08/13/2018	5.00%	(5,469)	Aaa
FNMA	500,000	05/30/2018	08/13/2018	5.00%	(469)	Aaa
GNMAII	800,000	06/04/2018	08/21/2018	4.00%	(500)	Not rated
FNMA	600,000	06/18/2018	09/13/2018	4.00%	(1,875)	Aaa
FNMA	1,000,000	06/25/2018	07/12/2018	4.50%	(1,563)	Aaa
FNMA	(1,000,000)	06/25/2018	07/12/2018	5.00%	1,720	Aaa
<b>Jefferies</b>						
GNMAII	500,000	04/20/2018	07/19/2018	4.00%	(1,875)	Not rated
GNMAII	1,000,000	05/04/2018	07/19/2018	4.50%	(4,688)	Not rated
GNMAII	800,000	05/18/2018	08/21/2018	4.00%	(7,000)	Not rated
GNMAII	600,000	05/24/2018	08/21/2018	4.00%	(2,531)	Not rated
GNMAII	1,000,000	06/01/2018	08/21/2018	4.50%	(1,250)	Not rated
FNMA	600,000	06/07/2018	08/13/2018	4.00%	(2,625)	Aaa
GNMAII	1,000,000	06/08/2018	08/21/2018	4.50%	(2,188)	Not rated
FNMA	600,000	06/22/2018	09/13/2018	5.00%	(1,406)	Aaa
<b>Piper Jaffray</b>						
FNMA	1,000,000	04/25/2018	07/12/2018	4.00%	(9,219)	Aaa
GNMAII	600,000	05/02/2018	07/19/2018	4.00%	(3,563)	Not rated
FNMA	600,000	05/03/2018	07/12/2018	5.00%	(843)	Aaa
					<b>\$ 33,736,564</b>	<b>\$ (112,167)</b>



## Fair Value Measurement

Investments are reported at fair value as of June 30, 2018, to the extent available. GASB Statement No. 72- *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other than quoted prices included within Level 1 that are observable; Level 3 inputs are significant unobservable inputs.

The following table summarizes the Housing Development Authority and Finance Authority investments within the fair value hierarchy as of June 30, 2018 (Expressed in Thousands):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by Fair Value Level</b>				
U.S. Treasuries	\$ 119,835	\$	\$ 119,835	\$
U.S. Agencies	861,261		861,261	
Money Market Mutual Funds	169,673	169,673		
Municipal Bonds	366		366	
Certificates of Deposit	13,160		13,160	
State Obligations	2,585		2,585	
<b>Total Investments by Fair Value Level</b>	<b><u>\$ 1,166,880</u></b>	<b><u>\$ 169,673</u></b>	<b><u>\$ 997,207</u></b>	<b><u>\$ 0</u></b>
<b>Hedging Derivative Instruments</b>				
Interest Rate Swaps	\$ 3,379	\$	\$ 3,379	\$
Forward MBS Contracts	(112)		(112)	
<b>Total Hedging Derivative Instruments</b>	<b><u>\$ 3,267</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 3,267</u></b>	<b><u>\$ 0</u></b>

For the Finance Authority, First National Bank serves as trustee uses a pricing service, ICE Data Pricing and Referencing, LLC., to value investments. ICE Data Pricing and Referencing, LLC. uses market approach pricing which utilizes models and pricing systems as well as mathematical tools and pricing analyst judgment. All investments are priced by this service, which is not quoted prices in an active market, but rather significant other observable inputs; therefore, the investments are categorized as Level 2.

The Housing Development Authority obtains its fair value pricing on investments from their third party trustee. There are multiple pricing methodologies which are used to value the Authority's investments. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods. Money Market Mutual Funds classified as Level 1 are valued using quoted prices in active markets for those securities. Since the Authority's debt security investments are not actively traded on an exchange and rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Housing Development Authority obtains its fair value pricing on interest rate swaps and forward MBS contracts from a third party vendor. For interest rate 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 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 current market implied volatility. Together these calculations, along with considerations from non-performance risks, determine the current fair value of the Housing Development Authority's swap contracts. The forward MBS contracts fair values were obtained from an external pricing specialist using current trade pricing for similar financial instruments in active markets that the Authority has the ability to access.

## 4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

### A. Receivables - Net

The line "Receivables, net" reported on the Government-wide Statement of Net Position consisted of the following (Expressed in Thousands):

Governmental Activities								
	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	\$148,836	\$ 17,582	\$	\$	\$	\$ 2,973	\$	\$ 169,391
Allowance	(11,175)	(24)						(11,199)
Accounts Receivable	20,410	1,128	12,856		603	26,546	3,117	64,660
Allowance	(5,808)	(410)				(142)		(6,360)
Due From Other Governments	1,317	56,404	17,600			92,228	122	167,671
Interest Receivable	2,501	595	3	607	1,264	1,669	239	6,878
Current Loans and Notes		524				6,574		7,098
Allowance						(45)		(45)
Non-current Loans and Notes		6,850				64,104		70,954
Allowance						(581)		(581)
Due From Fiduciary Funds	200						72	272
<b>Receivables, net</b>	<b>\$156,281</b>	<b>\$ 82,649</b>	<b>\$ 30,459</b>	<b>\$ 607</b>	<b>\$ 1,867</b>	<b>\$ 193,326</b>	<b>\$3,550</b>	<b>\$ 468,739</b>

Business-type Activities					
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Accounts Receivable	\$ 5,140	\$	\$	\$ 3,782	\$ 8,922
Allowance	(12)			(2,280)	(2,292)
Due From Other Governments		613	395	239	1,247
Interest Receivable	61	3,254	2,080	618	6,013
Current Loans Receivable		19,708	11,542	9,513	40,763
Allowance				(193)	(193)
Noncurrent Loans Receivable		235,437	156,522	36,420	428,379
Allowance				(1,395)	(1,395)
Due From Fiduciary Funds				48	48
<b>Receivables, net</b>	<b>\$ 5,189</b>	<b>\$259,012</b>	<b>\$ 170,539</b>	<b>\$ 46,752</b>	<b>\$ 481,492</b>

### B. Accounts Payable and Other Current Liabilities

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

Governmental Activities								
	General Fund	Trans- portation Fund	Social Services Federal Fund	Dakota Cement Trust	Educational Enhancement Trust	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	\$ 13,747	\$ 5,022	\$ 1,827	\$	\$	\$ 9,800	\$ 2,460	\$ 32,856
Accounts Payable	27,264	33,873	5,007		1,030	20,574	2,533	90,281
Medicaid and CHIP Claims	20,518		17,665			16,165		54,348
Due to Other Governments	946	6,150	98			27,886	150	35,230
Bank Tax Refund	10,909							10,909
Shared Revenue Distribution	17,017					33,912		50,929
Claims Payable							13,097	13,097
Due to Fiduciary Funds	102							102
<b>Total</b>	<b>\$ 90,503</b>	<b>\$ 45,045</b>	<b>\$ 24,597</b>	<b>\$ 0</b>	<b>\$ 1,030</b>	<b>\$ 108,337</b>	<b>\$ 18,240</b>	<b>\$ 287,752</b>

Business-type Activities					
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Payroll and Withholdings	\$ 111	\$ 23	\$ 20	\$ 702	\$ 856
Accounts Payable	2,179	444	98	2,882	5,603
Due to Fiduciary Funds				17	17
Escrow Payable	83				83
Other Liabilities	482			122	604
<b>Total</b>	<b>\$ 2,855</b>	<b>\$ 467</b>	<b>\$ 118</b>	<b>\$ 3,723</b>	<b>\$ 7,163</b>

## 5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2018, is as follows (Expressed in Thousands):

### A. Interfund Receivables and Payables

Due To	Due From											Total
	General Fund	Transportation Fund	Social Services Federal Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Lottery Fund	Clean Water State Revolving	Drinking Water State Revolving	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	
General Fund	\$		\$ 2,745	\$ 20,430	\$ 26,835	\$ 5,468	\$	\$	\$ 29	\$ 215	\$ 200	\$ 55,922
Transportation Fund					1,826	202					2	2,203
Non-major Governmental Funds	529	257	419		1,974	1,206					80	4,644
Non-major Enterprise Funds	18	4			96						57	223
Internal Service Funds	2,592	1,226	840		3,023	79	1	1	157	824	72	8,815
Fiduciary Funds	102										17	119
<b>Total</b>	<b>\$ 3,241</b>	<b>\$ 1,487</b>	<b>\$ 4,004</b>	<b>\$ 20,430</b>	<b>\$ 33,754</b>	<b>\$ 6,955</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 285</b>	<b>\$ 1,448</b>	<b>\$ 320</b>	<b>\$ 71,926</b>

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

### B. Interfund Transfers

Transferred From	Transferred To						Total
	General Fund	Transportation Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Non-major Enterprise Funds	Internal Service Funds	
General Fund	\$	\$ 51	\$	\$ 6,660	\$ 453	\$ 1,766	\$ 8,930
Transportation Fund	3,486			1,048			4,534
Social Services Federal Fund				171			171
Dakota Cement Trust Fund	12,443						12,443
Education Enhancement Trust Fund	20,430						20,430
Non-major Governmental Funds	75,674	6,728	30,688	14,946	176		128,212
Lottery Fund	117,570	348		6,828			124,746
Clean Water State Revolving Fund				44			44
Drinking Water State Revolving Fund				76			76
Non-major Enterprise Funds	209			1,124			1,333
Internal Service Funds	262						262
<b>Total</b>	<b>\$ 230,074</b>	<b>\$ 7,127</b>	<b>\$ 30,688</b>	<b>\$ 30,897</b>	<b>\$ 629</b>	<b>\$ 1,766</b>	<b>\$ 301,181</b>

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

In fiscal year 2018, \$210,972,168 of State appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

## 6. CAPITAL ASSETS

### A. Primary Government

Capital Assets consisted of the following for fiscal year 2018 (Expressed in Thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 119,725	\$ 2,264	\$ 488	\$ 121,501
Land Improvements	9,468	424	85	9,807
Land & Improvements - Roads	624,038	6,935		630,973
Construction in Progress	395,196	200,819	227,570	368,445
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,148,427</b>	<b>210,442</b>	<b>228,143</b>	<b>1,130,726</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	46,915	6,389	2,701	50,603
Buildings	686,854	15,577	23,250	679,181
Equipment	233,399	16,524	10,067	239,856
Intangible Assets - Software	81,267	38,065	840	118,492
Vehicles	166,231	14,652	8,168	172,715
Infrastructure	3,924,258	169,649	37,107	4,056,800
<b>Total Capital Assets Being Depreciated</b>	<b>5,138,924</b>	<b>260,856</b>	<b>82,133</b>	<b>5,317,647</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	14,826	1,785	774	15,837
Buildings	242,800	17,555	18,267	242,088
Equipment	143,007	14,920	9,036	148,891
Intangible Assets - Software	56,646	12,632	835	68,443
Vehicles	86,001	11,832	7,001	90,832
Infrastructure	1,601,833	65,908	13,663	1,654,078
<b>Total Accumulated Depreciation</b>	<b>2,145,113</b>	<b>124,632</b>	<b>49,576</b>	<b>2,220,169</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>2,993,811</b>	<b>136,224</b>	<b>32,557</b>	<b>3,097,478</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 4,142,238</b>	<b>\$ 346,666</b>	<b>\$ 260,700</b>	<b>\$ 4,228,204</b>

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<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 295	\$	\$	\$ 295
Construction in Progress	82	72		154
<b>Total Capital Assets Not Being Depreciated</b>	<b>377</b>	<b>72</b>	<b>0</b>	<b>449</b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	924			924
Buildings	8,591			8,591
Equipment	3,862	20	57	3,825
Intangible Assets - Software	2,341	279		2,620
<b>Total Capital Assets Being Depreciated</b>	<b>15,718</b>	<b>299</b>	<b>57</b>	<b>15,960</b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	646	14		660
Buildings	3,313	214		3,527
Equipment	3,322	26	157	3,191
Intangible Assets - Software	1,763	239		2,002
<b>Total Accumulated Depreciation</b>	<b>9,044</b>	<b>493</b>	<b>157</b>	<b>9,380</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>6,674</b>	<b>(194)</b>	<b>(100)</b>	<b>6,580</b>
<b>Total Business-type Activities, Net</b>	<b>\$ 7,051</b>	<b>\$ (122)</b>	<b>\$ (100)</b>	<b>\$ 7,029</b>

Depreciation was charged to the function of government as follows:

<b>Governmental Activities</b>	<b>Amount</b>
Unallocated	\$ 53
General Government	11,476
Health, Human, and Social Services	12,169
Law, Justice, Public Protection, and Regulation	11,150
Agriculture and Natural Resources	4,394
Transportation	81,166
Education	4,222
Economic Resources	2
<b>Total Governmental Activities</b>	<b>\$124,632</b>
<b>Business-type Activities</b>	
Enterprise Funds	<b>\$ 493</b>

## B. Component Units

Capital Assets for component units consisted of the following for fiscal year 2018 (Expressed in Thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Higher Education*:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 27,220	\$ 2,323	\$ 469	\$ 29,074
Construction in Progress, as restated	55,434	93,728	40,856	108,306
Works of Art and Historical Treasures	9,213	80		9,293
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>91,867</u></b>	<b><u>96,131</u></b>	<b><u>41,325</u></b>	<b><u>146,673</u></b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	50,479	5,260	1,672	54,067
Infrastructure	80,820	1,991		82,811
Buildings, as restated	1,291,254	54,548	905	1,344,897
Equipment and Other Assets, as restated	270,726	10,751	5,836	275,641
<b>Total Capital Assets Being Depreciated</b>	<b><u>1,693,279</u></b>	<b><u>72,550</u></b>	<b><u>8,413</u></b>	<b><u>1,757,416</u></b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	21,546	2,451	1,113	22,884
Infrastructure	27,465	2,876		30,341
Buildings, as restated	405,409	35,425	868	439,966
Equipment and Other Assets, as restated	211,417	13,003	5,326	219,094
<b>Total Accumulated Depreciation</b>	<b><u>665,837</u></b>	<b><u>53,755</u></b>	<b><u>7,307</u></b>	<b><u>712,285</u></b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>1,027,442</u></b>	<b><u>18,795</u></b>	<b><u>1,106</u></b>	<b><u>1,045,131</u></b>
<b>Total Higher Education Capital Assets, Net</b>	<b><u>1,119,309</u></b>	<b><u>114,926</u></b>	<b><u>42,431</u></b>	<b><u>1,191,804</u></b>
* Higher Education amounts do not include their foundations.				
<b>Housing Development Authority:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	220			220
<b>Total Capital Assets Not Being Depreciated</b>	<b><u>220</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>220</u></b>
<b>Capital Assets Being Depreciated:</b>				
Land Improvements	1,262			1,262
Buildings	4,907	50		4,957
Equipment	4,109	71	14	4,166
<b>Total Capital Assets Being Depreciated</b>	<b><u>10,278</u></b>	<b><u>121</u></b>	<b><u>14</u></b>	<b><u>10,385</u></b>
<b>Less: Accumulated Depreciation for:</b>				
Land Improvements	721	37		758
Buildings	1,047	128		1,175
Equipment and Other Assets	3,130	278	14	3,394
<b>Total Accumulated Depreciation</b>	<b><u>4,898</u></b>	<b><u>443</u></b>	<b><u>14</u></b>	<b><u>5,327</u></b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b><u>5,380</u></b>	<b><u>(322)</u></b>	<b><u>0</u></b>	<b><u>5,058</u></b>
<b>Total Housing Development Authority Capital Assets, Net</b>	<b><u>5,600</u></b>	<b><u>(322)</u></b>	<b><u>0</u></b>	<b><u>5,278</u></b>

Continued on next page

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Science and Technology Authority:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 1,814	\$	\$	\$ 1,814
Underground Mine	17,937			17,937
Archive Materials	70			70
Construction in Progress	19,797	299	2,012	18,084
<b>Total Capital Assets Not Being Depreciated</b>	<b>39,618</b>	<b>299</b>	<b>2,012</b>	<b>37,905</b>
<b>Capital Assets Being Depreciated:</b>				
Building Improvements	37,052	460		37,512
Buildings	7,505	615		8,120
Equipment	11,409	39	346	11,102
Equipment Under Capital Leases	884		884	0
Vehicles	109			109
Infrastructure	1,959			1,959
<b>Total Capital Assets Being Depreciated</b>	<b>58,918</b>	<b>1,114</b>	<b>1,230</b>	<b>58,802</b>
<b>Less: Accumulated Depreciation for:</b>				
Building Improvements	6,009	990		6,999
Buildings	1,754	162		1,916
Equipment	4,746	770	255	5,261
Equipment Under Capital Leases	677	94	771	0
Vehicles	70	5		75
Infrastructure	294	51		345
<b>Total Accumulated Depreciation</b>	<b>13,550</b>	<b>2,072</b>	<b>1,026</b>	<b>14,596</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>45,368</b>	<b>(958)</b>	<b>204</b>	<b>44,206</b>
<b>Total Science and Technology Authority Capital Assets, Net</b>	<b>84,986</b>	<b>(659)</b>	<b>2,216</b>	<b>82,111</b>
<b>Ellsworth Development Authority</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land and Easements	351	8,338	8,689	0
<b>Total Capital Assets Not Being Depreciated</b>	<b>351</b>	<b>8,338</b>	<b>8,689</b>	<b>0</b>
<b>Capital Assets Being Depreciated:</b>				
Equipment	4			4
Buildings	17,199			17,199
Improvements	6,921			6,921
<b>Total Capital Assets Being Depreciated</b>	<b>24,124</b>	<b>0</b>	<b>0</b>	<b>24,124</b>
<b>Less: Accumulated Depreciation for:</b>				
Equipment	4		1	3
Buildings	1,662	573		2,235
Improvements	808	277		1,085
<b>Total Accumulated Depreciation</b>	<b>2,474</b>	<b>850</b>	<b>1</b>	<b>3,323</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>21,650</b>	<b>(850)</b>	<b>0</b>	<b>20,801</b>
<b>Total Ellsworth Development Authority Capital Assets, Net</b>	<b>22,001</b>	<b>7,488</b>	<b>8,689</b>	<b>20,801</b>
<b>Total Discretely Presented Component Units, Net</b>	<b>\$ 1,231,896</b>	<b>\$ 121,433</b>	<b>\$ 53,336</b>	<b>\$ 1,299,994</b>

### 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, 2018, are as follows (Expressed in Thousands):

	<u>Amount</u>
<b>Primary Government</b>	
<b>Governmental Activities</b>	
Land Improvements	\$ 3,414
Buildings and Structures	24,322
Equipment	1,998
Vehicles	208
Intangibles - Computer Software	22,711
Infrastructure	315,792
<b>Total Governmental Activities</b>	<u>368,445</u>
<b>Business - Type Activities</b>	
Intangibles - Computer Software	154
<b>Total Business - Type Activities</b>	<u>154</u>
<b>Total Primary Government</b>	<u><u>\$ 368,599</u></u>
<b>Discretely Presented Component Units</b>	
Higher Education*	
Land Improvements	\$ 5,204
Buildings and Structures	98,973
Infrastructure	3,923
Equipment	206
Science and Technology	
Buildings and Structures	419
Infrastructure	17,665
<b>Total Discretely Presented Component Units</b>	<u><u>\$ 126,390</u></u>

\* Higher Education amounts do not include their foundations.

Construction has been temporarily interrupted on a portion of a large computer software project. The State is evaluating options to continue construction or to abandon all or a portion of the software project. This decision could result in a future year impairment of all or a portion of \$8.4 million reported as Construction in Progress – Intangibles (computer software) within the Governmental Activities of the Primary Government.

## 7. RETIREMENT PLANS

### A. South Dakota Retirement System

#### *General Description of the System*

The South Dakota Retirement System (SDRS or the System) is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the State and its political subdivisions. Members of SDRS include full time employees of public schools, the State, the Board of Regents, city and county governments, and other public entities. Public schools, cities, and counties may choose not to include certain full time employees in the System.

SDRS is considered a part of the State financial reporting entity and is included in the State's financial report as a pension trust fund. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law (SDCL) 3-12. Copies of the audited SDRS financial statements are available at <http://www.sdrs.sd.gov/>.



The South Dakota Retirement System Board of Trustees (the Board) is the governing authority of SDRS. The Board consists of 14 elected representatives from participating groups, two appointees of the governor, and an ex officio nonvoting representative of the South Dakota Investment Council. The elected representatives of the Board are two teacher members; two State employee members; a participating municipality member; a participating county member; a participating classified employee member; a current contributing Class B member other than a justice, judge, or magistrate judge; a county commissioner of a participating county; a school district board member; a justice, judge, or magistrate judge; an elected municipal official of a participating municipality; a retiree; and a faculty or administrative member employed by the Board of Regents. The two Governor's appointees consist of one head of a principal department established pursuant to SDCL 1-32-2, or one head of a bureau under the office of executive management and one individual from the private or public sector.

SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions. The system includes three classes of members: Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members. Members and their employers make matching contributions, which are defined in State statute. SDRS may expend up to 3% of the annual contributions for administrative expenses subject to approval by the executive and legislative branches of the State.

Members that were hired before July 1, 2017 are Foundational members. Class A Foundation members and Class B Foundation judicial members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Eligible spouses of Class A and B Foundation members will receive a 60% joint and survivor benefit.

Members that were hired on/after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60% joint and survivor benefit, or a 100% joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5% of compensation funded by part of the employer contribution. The VRAs will receive investment earnings based on investment returns.

Class C Cement Plant Retirement Fund members have a normal retirement age of 65 and early retirement is age 55 with the required credited service. Class C Cement Plant provides for disability payments for those disabled on or before March 16, 2001. All members of the Cement Plant Retirement Plan on March 15, 2001 were 100% vested. Class C members may elect a single-life benefit, or joint and survivor benefits as described in their plan documents.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) and based on SDRS funded status:

- If the SDRS fair value funded ratio is 100% or more – 3.1% COLA
- If the SDRS fair value funded ratio is 80.0% to 99.9%, index with the CPI
  - \* 90.0% to 99.9% funded – 2.1% minimum and 2.8% maximum COLA
  - \* 80.0% to 90.0% funded – 2.1% minimum and 2.4% maximum COLA
- If the SDRS fair value funded ratio is less than 80% – 2.1% COLA

The 2017 legislation modified the COLA, effective for the July 1, 2018 increase:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - \* The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.

- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - \* The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost of Living Adjustment.

SDRS is a qualified defined benefit retirement plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes. SDRS last received a favorable determination letter dated October 3, 2016, in which the Internal Revenue Service stated that the System, as then designated, was in compliance with the applicable requirements of the Internal Revenue Code. SDRS believes that the system currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code, and therefore, SDRS continues to be tax exempt as of June 30, 2018. Therefore, no provision for income taxes has been included in SDRS's financial statements.

### *Summary of Significant Accounting Policies*

SDRS's financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles applicable to governmental accounting for a pension trust fund. Employee and employer contributions are recognized when due pursuant to formal commitment, as well as statutory requirements. Pension benefit payments are due the first day of the month following the retirement of a member, and the first of each month thereafter. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value, in accordance with GASB Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additional required disclosures can be found in *Note 1, Summary of Significant Accounting Policies*.

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

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

The arithmetically calculated money-weighted return net of fees was 7.94% in 2018. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investment by the proportion of time they are available to earn during that period. The rate of return equates the sum of weighted external cash flows into and out of pension plan investments to the ending fair value of the pension plan investment.

The preparation of SDRS's financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and changes therein. Actual results could differ from those estimates.

### *Contributions*

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

Class A members	6% of salary
Class B judicial members	9% of salary
Class B public safety members	8% of salary

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

SDRS is funded by fixed member and employer contributions at a rate established by South Dakota law. On an annual basis, an actuarial valuation of SDRS is performed to determine the adequacy of the fixed contributions to pay the normal costs and expenses, if the System is fully funded or pay the normal costs, expenses and amortize the unfunded actuarial accrued liability (UAAL) if the System is not fully funded. The June 30, 2017 actuarial valuation of the plan determined that the System is fully funded and that the statutorily required employer contributions meet the requirements for the annual required contributions of the employers under Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* along with amendments included in Statement No. 67, *Financial Reporting for Pension Plans*; and the statutorily required employer contributions are sufficient to pay the employer normal cost and expenses.

Contributions for the primary government during fiscal year 2018 were \$26,231,321, during fiscal year 2017 were \$26,313,146, and during fiscal year 2016 were \$25,405,798. Contributions for the State's component units during 2018 were \$19,135,349, during fiscal year 2017 were \$19,150,787, and during fiscal year 2016 were \$18,149,387.

*State's Proportionate Share of SDRS*

For fiscal year 2018, the State and its component units used a July 1, 2016 to June 30, 2017 measurement date for reporting purposes.

The State's proportionate share of SDRS's collective net pension asset is 21.5782463% or \$1,958,248 using a June 30, 2017 measurement date. This percentage was measured based on all employer contributions from July 1, 2016 through June 30, 2017. Pension revenues for the state were \$43,905,980 and contributions subsequent to the measurement date were \$26,231,321. The State's proportionate share decreased by .6899573% over the prior fiscal year's proportionate share of 22.2682036%.

The State's component unit's proportionate share of SDRS's collective net pension asset is 15.7102259% or \$1,425,719 using a June 30, 2017 measurement date. This percentage was measured based on all employer contributions from July 1, 2016 through June 30, 2017. Pension revenues for component units were \$31,721,903 and contributions subsequent to the measurement date were \$19,135,349. The State's component unit's proportionate share decreased by .2135693% over the prior fiscal year's proportionate share of 15.9237952%.

The components of the net pension asset of the System at June 30, 2017, were as follows:

	State of South Dakota Proportionate Allocation 21.5782463%	Discretely Presented Component Units Proportionate Allocation 15.7102259%
<b>Total Pension Liability</b>	\$ 2,510,621,081	\$ 1,827,879,049
<b>Plan Fiduciary Net Position</b>	(2,512,579,329)	(1,829,304,768)
<b>Net Pension (Asset) Liability</b>	<b>\$ (1,958,248)</b>	<b>\$ (1,425,719)</b>

<b>Fiduciary Net Position as a Percentage of Net Pension Liability</b>	100.1%	100.1%
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**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.25%
- Salary Increase: 6.50% at entry to 3.00% after 25 years of service
- Discount Rate: 6.50%, net of pension plan investment expenses

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

**Discount rate** – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

**Investments** – The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58%	4.8%
Fixed Income	30%	1.8%
Real Estate	10%	4.6%
Cash	2%	0.7%
<b>Total</b>	<b>100%</b>	

**Sensitivity of (asset) liability to changes in the discount rate** – The following presents the net pension (asset) liability of the State’s proportionate share of SDRS’s collective net pension asset of \$1,958,248 using a June 30, 2017 measurement date, calculated using the discount rate of 6.50%, as well as what the System’s net pension (asset) liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>State’s Proportionate Share of SDRS’s Net Pension (Asset) Liability</b>	\$ 358,652,798	\$ (1,958,248)	\$ (295,612,910)
<b>Discretely Presented Component units Proportionate Share of SDRS Net Pension (Asset) Liability</b>	261,120,240	(1,425,719)	(215,223,496)

**Deferred Outflows and Inflows of Resources Related to Pensions** – The Deferred Outflows and Inflows of Resources related to pensions at June 30, 2018, were as follows:

**State of South Dakota**  
**Deferred Outflows and Inflows of Resources**  
**Related to Pensions**  
(Expressed in Thousands)

<u>Source</u>	<u>Primary Government</u>		<u>Discretely Presented Component Units</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 31,377	\$	\$ 22,844	\$
Changes in Assumptions	152,046		110,699	
Net Differences between Projected and Actual Earnings on Pension Plan Investments		37,649		27,410
Changes in Proportionate Share and Differences between Contributions and Proportionate Share of Contributions	2,146	514	1,279	71
Contributions Subsequent to the Measurement Date	26,231		19,134	
<b>Total</b>	<b>\$ 211,800</b>	<b>\$ 38,163</b>	<b>\$ 153,956</b>	<b>\$ 27,481</b>

The \$26.2 million and the \$19.1 million reported above as deferred outflows of resources by the primary government and the discretely presented component units are the result of employer contributions made subsequent to the measurement date of June 30, 2017. These contributions will be recognized as an increase of the net pension asset in the upcoming year. The remaining amounts reported above as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows (dollars expressed in thousands):

**Recognition of Remaining Deferred Outflows and (Inflows) of Resources**

<u>Year Ending June 30</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
<b>2019</b>	\$ 39,538	\$ 28,786
<b>2020</b>	66,741	48,596
<b>2021</b>	49,168	35,802
<b>2022</b>	(8,041)	(5,844)
<b>Total</b>	<b>\$ 147,406</b>	<b>\$ 107,340</b>

*B. Department of Labor Employment Security Retirement Plan*

Employees of the Department of Labor and Regulation hired prior to July 1, 1980 had the option to become a member of the SDRS or maintain membership in the Employment Security Retirement Plan. Per SDCL 61-2-15, the Department of Labor and Regulation may establish this retirement program and contract with a retirement plan administrator selected by the employee’s retirement board. In addition this SDCL further specifies that no obligation may be incurred against the State’s General Fund to pay for this program. The assets of the plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers the plan for the participants. The State has no liability for losses under the plan.

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

On July 1, 2017, the most recent actuarial valuation date, the plan had 6 active participants, 1 vested terminated participant, and 209 retired participants and beneficiaries.

## *8. DEFERRED COMPENSATION PLAN*

The State of South Dakota (through the South Dakota Retirement System) maintains a deferred compensation plan known as the Supplemental Retirement Plan (SRP), created in accordance with Internal Revenue Code Section 457. The SRP is available to all public employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the SRP, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are at all times held in trust for the exclusive benefit of the participants until made available to a participant or the participant's beneficiary. 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. A copy of the South Dakota Retirement System financial statements is available to the public at [www.sdrs.sd.gov](http://www.sdrs.sd.gov).

## *9. SPECIAL PAY PLAN*

The State of South Dakota (through the South Dakota Retirement System) offers the Special Pay Plan (SPP) that was established in July 2004 as a qualified plan pursuant to Internal Revenue Code Section 401(a) under the administrative responsibility of the SDRS Board of Trustees. South Dakota state government and Higher Education are participating units and every state political subdivision may become a participating unit in the plan. The SPP mandates that qualifying employees (over age 55 and \$600 or more in special pay) of participating units defer 100% of their special lump-sum termination pay to the plan. The participating unit transfers the deferred pay to the fund. This deferred pay is available to a participant immediately after termination, upon later retirement, or to beneficiaries or an estate upon the participant's death. A copy of the South Dakota Retirement System financial statements is available to the public at [www.sdrs.sd.gov](http://www.sdrs.sd.gov).

## 10. FUND BALANCES AND NET POSITION

### Fund Balance Classifications – Governmental Funds

The following table provides additional detail regarding the fund balances reported on the Governmental Fund Balance Sheet at June 30, 2018, (Expressed in Thousands):

	General	Trans- portation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>							
Inventory	\$ 3,179	\$ 19,286	\$ 11	\$	\$	\$ 1,864	\$ 24,340
Prepays	2,918	312	617			1,425	5,272
Permanent Fund Principal					397,235	142,635	539,870
<b>Total Non-Spendable Fund Balances</b>	<b>6,097</b>	<b>19,598</b>	<b>628</b>	<b>0</b>	<b>397,235</b>	<b>145,924</b>	<b>569,482</b>
<b>Restricted</b>							
Education				325,465	184,978	11,683	522,126
Health and Public Assistance						70,541	70,541
Law, Justice, and Public Protection						18,412	18,412
Economic Development	3,300					48,964	52,264
Transportation		183,660					183,660
Agriculture and Natural Resources						84,576	84,576
Energy Conservation or Development						11,631	11,631
Game and Fish						12,626	12,626
Parks and Recreation						7,812	7,812
Public Buildings						669	669
Public Broadcasting						162	162
Railroads						30,312	30,312
Debt Service						25,650	25,650
Capital Projects						43,034	43,034
Other						20,787	20,787
<b>Total Restricted Fund Balances</b>	<b>3,300</b>	<b>183,660</b>	<b>0</b>	<b>325,465</b>	<b>184,978</b>	<b>386,859</b>	<b>1,084,262</b>
<b>Committed</b>							
Education						229	229
Health and Public Assistance						2,642	2,642
Law, Justice, and Public Protection						14,009	14,009
Agriculture and Natural Resources						4,337	4,337
Environmental Cleanup						2,567	2,567
Energy Conservation or Development						2,166	2,166
Public Buildings						2,824	2,824
Railroads						407	407
Other						7,682	7,682
<b>Total Committed Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,863</b>	<b>36,863</b>
<b>Assigned</b>							
Education	11,146					1,949	13,095
Higher Education	1,060						1,060
Health and Public Assistance	7,792		1,577			6,734	16,103
Law, Justice, and Public Protection	3,058					1,484	4,542
Agriculture and Natural Resources	127					1,556	1,683
Tourism Promotion	2,986						2,986
Public Buildings	23,818					2,524	26,342
Economic Development	6,619						6,619
Other	4,085					1,690	5,775
<b>Total Assigned Fund Balances</b>	<b>60,691</b>	<b>0</b>	<b>1,577</b>	<b>0</b>	<b>0</b>	<b>15,937</b>	<b>78,205</b>
<b>Unassigned Fund Balances *</b>	268,052					(11,758)	256,294
<b>Total Fund Balances</b>	<b>\$ 338,140</b>	<b>\$ 203,258</b>	<b>\$ 2,205</b>	<b>\$ 325,465</b>	<b>\$ 582,213</b>	<b>\$ 573,825</b>	<b>\$ 2,025,106</b>

\* This amount includes \$132,366,000 of equity from the Budget Reserve established by the 1991 South Dakota Legislature and \$44,000,000 of equity from the General Revenue Replacement Fund established by the 2015 South Dakota Legislature, as discussed further in the following paragraphs.

*Budget Reserve Account*

The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. Expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each house of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to South Dakota Constitution, Article III, Section 1. The balance in the budget reserve at June 30, 2018, was \$132,366,000 and is reported as unassigned fund balance within the General Fund.

*General Revenue Replacement Fund*

House Bill 1050, passed during the 2015 Legislative Session, created the General Revenue Replacement Fund (GRRF). This fund is to be used to balance the General Fund annual budget due to an unforeseen revenue shortfall. Revenues deposited in the GRRF include unobligated General Fund cash remaining at the end of a fiscal year after the transfer into the Budget Reserve, if the amount in the GRRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The balance in the GRRF at June 30, 2018, was \$44,000,000 and is reported as unassigned fund balance within the General Fund.

*General Fund*

*GASB 54*

Since the implementation of GASB 54 in fiscal year 2011, 12 statutorily created funds no longer qualify as Special Revenue Funds and are required to be combined with the State's General Fund. As of June 30, 2018, the following equity balances are included within the State's General Fund in accordance with GASB 54 (Expressed in Thousands):

<b>Fund Balance - June 30, 2018 as reported</b>	<b>\$ 338,140</b>
<b>Less: Statutorily Created Funds Combined with the General Fund</b>	
Tourism Promotion - assigned for Tourism Promotion	3,250
Investment Council Operating - assigned for Other	2,135
Private Activity Bond - assigned for Other	464
Teen Court - assigned for Other	14
Proof of Concept - assigned for Economic Development	10
Fine Arts - assigned for Other	284
Economic Development - assigned for Economic Development	709
Local Infrastructure Improvement - assigned for Economic Development	5,691
Workforce Education - assigned for Education	3,777
Extraordinary Litigation Expense - unassigned	(822)
Legislative Contingency Fund - unassigned	845
Unclaimed Property - unassigned	27
<b>Fund Balance - June 30, 2018 excluding GASB 54 combinations</b>	<b><u>\$ 321,756</u></b>

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

In evaluating the contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account should be reported in the State's General Fund. As of June 30, 2018, the following equity balance was included within the State's General Fund (Expressed in Thousands):

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

<b>Fund Balance - June 30, 2018 excluding GASB 54 combinations</b>	<b>\$ 321,756</b>
<b>Less: SDRC Funds Combined with the General Fund</b>	
SDRC Indemnification Fund One Account - restricted for Economic Development	3,300
<b>Fund Balance - June 30, 2018 excluding all combinations</b>	<b><u>\$ 318,456</u></b>



*Net Position Restricted by Enabling Legislation*

The Government-wide Statement of Net Position reports \$1.75 billion of restricted net position for the primary government of which \$165.6 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

*Funds Held as Permanent Investments*

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in special revenue funds for this purpose have their principal balance classified as nonspendable in the governmental fund financial statements since these amounts are not available for appropriation. In the Government-wide Statement of Net Position, the principal balance is shown as nonexpendable and the investment earnings remaining in these funds at June 30, 2018, is shown as expendable.

*Education Enhancement Trust Fund.* This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, monies from the Youth-at-Risk Fund and General Fund appropriations for scholarship purposes. The Fund is authorized by state law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, “the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature.”

*Health Care Trust Fund.* This fund is authorized by state law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, “the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature.”

*Permanent Fund.* This fund is administered by the Office of School and Public Lands and accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs.

These balances at June 30, 2018, are summarized as follows (Expressed in Thousands):

<b>Fund</b>	<b>Expendable</b>	<b>Nonexpendable</b>	<b>Total Restriction</b>
Education Enhancement Trust	\$ 184,978	\$ 397,235	\$ 582,213
Health Care Trust	56,089	85,631	141,720
Permanent	(385)	57,004	56,619
<b>Total</b>	<b>\$ 240,682</b>	<b>\$ 539,870</b>	<b>\$ 780,552</b>

*Individual Fund Deficits*

The following individual funds had deficit fund equity at June 30, 2018 (Expressed in Thousands):

<b>Fund Type/Fund</b>	<b>Deficit</b>
Internal Service:	
State Worker's Compensation	\$ 26,377
Special Revenue:	
State Fire Suppression	9,267
Law Enforcement Revolving	370
Land Acquisition & Development	150
Animal Damage Control	98
Public Utilities Commission Federal	85
Emergency Management Federal	58

## 11. COMMITMENTS

At June 30, 2018, the Primary Government had commitments of \$862,899,563, and the State's discretely presented component units had commitments of \$164,096,788 broken down by fund as follows:

### *Primary Government*

#### *Major Governmental Funds*

**General Fund:** The total amount committed for the General Fund is \$72,068,842 broken down by departments as follows:

- Department of Corrections has commitments totaling \$1,000,000 for utilizing towards building repairs and maintenance.
- Bureau of Administration has commitments totaling \$4,543,016 for multiple statewide maintenance and repair projects.
- Department of Education has commitments totaling \$10,088,576 for grants, computer systems maintenance, and various K-12 programs.
- Bureau of Information and Telecommunications has commitments totaling \$5,614,095 for various service contracts and encumbered purchase orders.
- Department of Social Services has commitments totaling \$50,823,155 for alcohol and drug services, community mental health services, food services, janitorial services, and various other contractual commitments.

**Transportation Fund:** The total amount committed for the Transportation Fund is \$316,032,280 broken down by departments as follows:

- Department of Transportation has commitments totaling \$315,390,866 for construction commitments, various highway projects, work in progress, maintenance projects such as weed spraying, asphalt and concrete surface repairs, bridge repairs, pavement markings, drainage repairs, deer and debris pickup, snow plowing, and street sweeping.
- Department of Public Safety has commitments totaling \$641,414 for purchase orders.

**Social Services Federal Fund:** Department of Social Services has commitments totaling \$48,187,486 for various contractual commitments.

#### *Nonmajor Governmental Funds*

**Capital Projects Fund:** South Dakota Building Authority has commitments totaling \$44,237,324 for contracts and other construction commitments.

**Education Federal Fund:** Department of Education has commitments totaling \$49,406,924 for various grants, providing professional coaching for Birth to Three Bright Beginnings, and various K-12 programs and support.

**Labor Fund:** Department of Labor and Regulation has commitments totaling \$1,352,585 for various grants and contractual commitments.

**Health Federal Fund:** Department of Health has commitments totaling \$8,170,280 for clerical services, maintenance of several computer systems, medical case management services, HIV prevention services, covered breast and cervical cancer screening services, WIC misuse investigations, and mass reach communication services for the South Dakota Tobacco Control Program.

**Governor's Office and State Development Federal Fund:** Governor's Office of Economic Development has commitments totaling \$13,194,605 for SD Works Loan, Community Development Block Grant, and Energy Efficiency Community Block Grant Loan Program.

**Public Safety Emergency Management Fund:** Department of Public Safety has commitments totaling \$1,425,661 for grant payments, to instruct emergency management courses, and update SD multi-hazard plan.

**Natural Resources Federal Fund:** Department of Environment and Natural Resources has commitments totaling \$2,172,085 in federal subgrant outstanding obligations.

**Game and Fish Fund:** Department of Game, Fish, and Parks (GFP) has commitments totaling \$1,742,159 for call center for real time hunting and fishing, GFP BB Gun Range, and encumbered purchase orders.

**Parks and Recreation Fund:** Department of Game, Fish, and Parks has commitments totaling \$957,136 for various contractual commitments.

**Health Fund:** Department of Health has commitments totaling \$1,759,015 for clerical services, medical case management, covered breast and cervical cancer screenings services, and courier services for the rapid of samples to the Public Health Laboratory and Correctional Health.

**Motor Vehicle Fund:** Department of Public Safety has commitments totaling \$8,726,405 for encumbrances and contracts for driver's licensing services.

**Revenue Fund:** Department of Revenue has commitments totaling \$12,625,343 for the centralized production and distribution of license plates.

**Future Fund:** Governor's Office of Economic Development has commitments totaling \$15,720,720 for future fund grants.

**Water and Environment Fund:** Department of Environment and Natural Resources has commitments totaling \$30,290,610 for consolidated water facilities construction program, solid waste management program, and SWRMS grants/loans.

**Energy Conservation Fund:** Governor's Office of Economic Development has commitments totaling \$657,790 for School Loan Program and Ethanol Infrastructure Program.

**Other Nonmajor Governmental Funds:** The total amount committed for the Other Nonmajor Special Revenue Funds is \$59,782,827 broken down by agency as follows:

- Tourism has commitments totaling \$9,880,000 to be used for public relations; advertising consultants; and to design, fabricate, and install exhibits.
- Governor's Office of Economic Development has commitments totaling \$3,860,063 for local infrastructure improvement program grants.
- Unified Judicial System has commitments totaling \$612,818 for rural attorney contracts and office equipment.
- Department of Public Safety has commitments totaling \$30,350,894 for highway safety grant payments, produce public safety announcements, deliver announcements for public education partnership program, computer system installation and support, conducting surveys, provide support and monitoring of educational opportunities, and new 911 system designing and maintenance.
- Department of Health has commitments totaling \$3,702,567 for covered breast and cervical cancer screening services, HIV prevention services, and various activities aimed at tobacco prevention and control.
- Department of Education has commitments totaling \$2,963,716 for various grants and contractual commitments.
- South Dakota Soybean Research and Promotion Council has commitments totaling \$4,221,505 for various contractual projects.
- Department of Social Services has commitments totaling \$1,591,264 for medical transcription services, alcohol and drug services, and various other contractual commitments.
- South Dakota Animal Industry Board has \$2,600,000 construction commitments.

### *Major Proprietary Funds*

**Clean Water State Revolving Fund:** Department of Environment and Natural Resources has commitments totaling \$78,545,532 worth of loan commitments with borrowers.

**Drinking Water State Revolving Fund:** Department of Environment and Natural Resources has commitments totaling \$44,779,151 worth of loan commitments with borrowers.

### *Nonmajor Proprietary Funds*

**Self-Insurance Fund:** Bureau of Human Resources has commitments totaling \$9,247,062 for claims administration, medical management, and wellness services.

**Accounting and Payroll Fund:** Bureau of Finance and Management has commitments totaling \$797,363 for various consulting fees.

**Revolving Economic Development and Initiative Fund:** Governor's Office of Economic Development has commitments totaling \$26,003,803 for REDI Fund loans.

**Information Services Fund:** The Bureau of Information and Technology has commitments totaling \$5,317,953 for encumbrances and services contracts.

**Telecommunications Fund:** The Bureau of Information and Technology has commitments totaling \$8,731,485 for encumbrances and services contracts.

**Other Nonmajor Proprietary Funds:** Department of Public Safety has commitments totaling \$967,137 to upgrade current computer system.

### *Discretely Presented Component Units*

**Housing Authority:** South Dakota Housing Development Authority has commitments totaling \$78,548,345 to fund the Homeownership Mortgage Program.

**Science and Technology Authority:** South Dakota Science and Technology Authority has commitments totaling \$2,420,000 for the remaining committed amount for xenon procurement.

**Higher Education:** Higher Education has \$83,128,443 of construction and coaching contract commitments.

## 12. SELF-INSURANCE

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

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

The State is self-insured for workers' compensation through the creation of reserves derived from a percentage of wages paid to state employees. This activity is accounted for in an internal service fund. Claims payable for workers' compensation is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses (those relating to a specific claim) are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. The claims liability is funded as claims are paid resulting in an actuarially determined unfunded liability of \$26,457,851 at June 30, 2018. The Workers' Compensation Fund liability at June 30, 2018, and the changes to the liability during fiscal years ended June 30, 2018 and 2017 listed on the following page were as follows (Expressed in Thousands):

	<u>FY2018</u>	<u>FY2017</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 27,103	\$ 25,941
<b>Incurred claims and claim adjustment expenses</b>		
Provision for insured events of current fiscal year	5,732	5,728
Changes in provision for insured events of prior fiscal years	1,341	(263)
<b>Total incurred claims and claim adjustment expenses</b>	<u>7,073</u>	<u>5,465</u>
<b>Payments:</b>		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,217	1,393
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	2,969	2,910
<b>Total payments</b>	<u>4,186</u>	<u>4,303</u>
<b>Unpaid claims and claim adjustment expenses at end of fiscal year</b>	<u>\$ 29,990</u>	<u>\$ 27,103</u>

### B. Health Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance (However, an insurance carrier 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. Effective January 1, 2014, the life insurance program switched from being self-insured to a fully insured product. 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. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included.

The health insurance program liability at June 30, 2018 and the changes to the liability during fiscal years ended June 30, 2018 and 2017 were as follows (Expressed in Thousands):

	<b>Health Insurance</b>	
	<b>FY2018</b>	<b>FY2017</b>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 13,651	\$ 12,375
Incurred claims and claim adjustment expenses	<u>118,496</u>	<u>116,250</u>
<b>Payments:</b>		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	105,800	102,599
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>13,651</u>	<u>12,375</u>
<b>Total payments</b>	<b><u>119,451</u></b>	<b><u>114,974</u></b>
<b>Unpaid claims and claim adjustment expenses at end of fiscal year</b>	<b><u>\$ 12,696</u></b>	<b><u>\$ 13,651</u></b>

### 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. For the current fiscal year, the State purchased reinsurance for claims costs over \$500,000 with 100% of the remaining \$500,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated and unallocated claim adjustment expenses are included in the determination of claims payable. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2018, \$5,388,955 of the net position balance in the PEPL Fund was designated for future catastrophic losses.

The PEPL Fund liability at June 30, 2018 and the changes to the liability during fiscal years ended June 30, 2018 and 2017 were as follows (Expressed in Thousands):

	<b>FY2018</b>	<b>FY2017</b>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,046	\$ 4,525
<b>Incurred claims and claim adjustment expenses</b>		
Provision for insured events of current fiscal year	1,970	627
Changes in provision for insured events of prior fiscal years	<u>311</u>	<u>401</u>
<b>Total incurred claims and claim adjustment expenses</b>	<b><u>2,281</u></b>	<b><u>1,028</u></b>
<b>Payments:</b>		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	259	254
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>1,465</u>	<u>1,253</u>
<b>Total payments</b>	<b><u>1,724</u></b>	<b><u>1,507</u></b>
Unpaid claims and claim adjustment expenses at end of fiscal year	<b><u>\$ 4,603</u></b>	<b><u>\$ 4,046</u></b>

#### *D. Risk Management*

The State is commercially insured for aircraft and crime bonds through outside insurance companies. Entities participating in these insurance coverages are only billed for premiums applicable to their coverage needs. Prior to April 13, 2015, the State was uninsured for property losses with the exception of all bonded buildings, all higher education facilities and buildings, and certain other revenue-producing buildings that are covered through outside insurance companies. On April 13, 2015, additional insurance was purchased resulting in the majority of all State buildings being covered. Beginning October 1, 2015, the South Dakota Property and Casualty Insurance Company, a component unit of the State of South Dakota, started providing property, including content, business income, and extra expense coverage on the State's buildings.

### **13. OPERATING LEASES**

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

The following schedule is a summary of future minimum rental payments by years required under operating leases with lease terms in excess of one year as of June 30, 2018 (Expressed in Thousands):

<b>Year Ending June 30</b>	<b>Primary Government</b>	<b>Component Units</b>
2019	\$ 8,046	\$ 3,140
2020	7,394	2,686
2021	6,896	2,231
2022	6,192	1,846
2023	4,450	1,576
2024-2028	12,316	2,225
2029-2033	2,239	39
2034-2038	288	39
2039-2043	11	39
<b>Total Minimum Payments</b>	<b>\$ 47,832</b>	<b>\$ 13,821</b>

The total rental expenses for all operating leases for the fiscal year ended June 30, 2018, was \$20,343,723 for the primary government and \$4,164,628 for component units.

## 14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2018, 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
<b>Governmental Activities *</b>					
Revenue Bonds	\$ 178,015	\$	\$ (14,963)	\$ 163,052	\$ 14,407
Add Unamortized Premium	14,345		(1,075)	13,270	1,076
<b>Net Revenue Bonds</b>	<b>192,360</b>		<b>(16,038)</b>	<b>176,322</b>	<b>15,483</b>
Compensated Absences	59,709	41,139	(39,822)	61,026	32,504
Policy Claims Liability	4,046	2,281	(1,724)	4,603	1,654
Workers Compensation	27,108	7,075	(4,181)	30,002	3,773
Capital Leases	145,681	6,016	(12,516)	139,181	7,914
Pollution Remediation Obligation	11,653	54		11,707	200
Escheat Property	24,868	19,478	(27,375)	16,971	10,149
Other Long Term Liabilities	47	51		98	49
Net Pension Liability	73,535		(73,535)		
<b>Total Governmental Activities</b>	<b>\$ 539,007</b>	<b>\$ 76,094</b>	<b>\$ (175,191)</b>	<b>\$ 439,910</b>	<b>\$ 71,726</b>
<b>Business-type Activities</b>					
Revenue Bonds	\$ 212,845	\$ 94,600	\$ (53,343)	\$ 254,102	\$ 20,590
Add Unamortized Premium	18,067	16,942	(1,903)	33,106	2,032
<b>Net Revenue Bonds</b>	<b>230,912</b>	<b>111,542</b>	<b>(55,246)</b>	<b>287,208</b>	<b>22,622</b>
Other Noncurrent Liabilities	1,550	394	(1,550)	394	394
Compensated Absences	1,692	795	(870)	1,617	875
Net Pension Liability	1,684		(1,684)		
<b>Total Business-type Activities</b>	<b>\$ 235,838</b>	<b>\$ 112,731</b>	<b>\$ (59,350)</b>	<b>\$ 289,219</b>	<b>\$ 23,891</b>
<b>Component Units</b>					
Revenue Bonds	\$ 1,591,675	\$ 379,440	\$ (329,532)	\$ 1,641,583	\$ 62,756
Less Unamortized Discount	(363)		276	(87)	(4)
Add Unamortized Premium	47,801	19,887	(6,306)	61,382	2,535
<b>Net Revenue Bonds</b>	<b>1,639,113</b>	<b>399,327</b>	<b>(335,562)</b>	<b>1,702,878</b>	<b>65,287</b>
Compensated Absences**	42,665	16,393	(15,512)	43,546	13,572
Capital Leases	5,574	1,947	(2,544)	4,977	1,499
Rural Development Loans	1,546		(80)	1,466	81
Federal Portion of Perkins Loan Program	39,461	190	(750)	38,901	
Advances from Primary Government	22,193		(966)	21,227	1,064
Net Pension Liability	53,789		(53,789)		
<b>Total Component Units**</b>	<b>\$ 1,804,341</b>	<b>\$ 417,857</b>	<b>\$ (409,203)</b>	<b>\$ 1,812,995</b>	<b>\$ 81,503</b>

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

\*\*Beginning balance does not agree with last year's ending balance due to Higher Education compensated absences restatement. For more information, see *Note 2. Accounting Changes, Restatements, and Reclassifications* in the Notes to the Financial Statements.



## Revenue Bonds and Trust Certificates

### A. Governmental Activities

#### 1. South Dakota Building Authority

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

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

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

Following are SDBA bonds outstanding at June 30, 2018 (Dollars Expressed in Thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
2010B	2035	4.250% - 6.200%	\$ 4,210
2010C	2031	4.280% - 5.850%	2,880
2010D	2019	3.000% - 3.250%	162
2013D	2037	2.197% - 5.769%	3,955
2014A	2039	4.000% - 5.000%	1,505
2014D	2026	4.500% - 5.000%	5,687
2014E	2032	4.000% - 5.000%	3,123
2015A	2030	1.428% - 4.013%	9,520
2017A	2042	4.000% - 5.000%	44,355
Add Unamortized Premium			7,605
<b>Total</b>			<b>\$ 83,002</b>

As of June 30, 2018, debt service requirements for principal and interest for the SDBA were as follows (Expressed in Thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,507	\$ 3,451	\$ 6,958
2020	3,625	3,330	6,955
2021	3,668	3,207	6,875
2022	3,809	3,059	6,868
2023	3,958	2,901	6,859
2024-2028	21,365	11,650	33,015
2029-2033	15,800	7,017	22,817
2034-2038	15,095	3,474	18,569
2039-2043	4,570	306	4,876
<b>Total</b>	<b>\$ 75,397</b>	<b>\$ 38,395</b>	<b>\$ 113,792</b>

*2. Educational Enhancement Funding Corporation*

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

Following are Educational Enhancement Funding Corporation bonds outstanding at June 30, 2018 (Dollars Expressed in Thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
2013A	2022	3.539%	\$ 41,020
2013B	2027	5.000%	46,635
Add Unamortized Premium			5,665
<b>Total</b>			<b>\$ 93,320</b>

As of June 30, 2018, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (Expressed in Thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 10,900	\$ 3,783	\$ 14,683
2020	10,600	3,398	13,998
2021	10,300	3,023	13,323
2022	9,220	2,658	11,878
2023	9,970	2,332	12,302
2024-2027	36,665	4,368	41,033
<b>Total</b>	<b>\$ 87,655</b>	<b>\$ 19,562</b>	<b>\$ 107,217</b>

*B. Business-type Activities*

*South Dakota Conservancy District - State Revolving Funds*

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

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

The following is a schedule of outstanding bonds as of June 30, 2018 (Dollars Expressed in Thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Clean Water State Revolving Fund</b>			
2010AB	2030-2031	4.084%-5.646%	\$ 34,065
2012AB	2023-2031	1.648%-5.000%	37,806
2014AB	2020-2035	1.620%-5.000%	42,240
2017AB	2023-2038	1.410%-5.000%	72,190
Add Unamortized Premium			28,157
<b>Total</b>			<b>214,458</b>
<b>Drinking Water State Revolving Fund</b>			
2010AB	2030-2031	2.000%-5.646%	19,497
2012A	2027	1.648%-3.183%	18,390
2014AB	2020-2035	1.920%-5.000%	7,505
2017AB	2023-2030	1.410%-5.000%	22,410
Add Unamortized Premium			4,948
<b>Total</b>			<b>72,750</b>
<b>Total Revenue Bonds</b>			<b>\$ 287,208</b>

As of June 30, 2018, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (Expressed in Thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Clean Water State Revolving Fund</b>			
2019	\$ 12,505	\$ 7,983	\$ 20,488
2020	12,030	7,596	19,626
2021	11,275	7,216	18,491
2022	12,755	6,786	19,541
2023	13,305	6,271	19,576
2024-2028	58,548	23,135	81,683
2029-2033	46,751	10,320	57,071
2034-2038	19,130	1,947	21,077
<b>Total</b>	<b>186,299</b>	<b>71,254</b>	<b>257,553</b>
<b>Drinking Water State Revolving Fund</b>			
2019	8,085	2,392	10,477
2020	7,825	2,197	10,022
2021	6,260	2,015	8,275
2022	6,425	1,833	8,258
2023	6,755	1,626	8,381
2024-2028	18,667	5,452	24,119
2029-2033	9,699	1,950	11,649
2034-2038	4,085	461	4,546
<b>Total</b>	<b>67,801</b>	<b>17,926</b>	<b>85,727</b>
<b>Total</b>	<b>\$ 254,100</b>	<b>\$ 89,180</b>	<b>\$ 343,280</b>

## C. Component Units

### 1. South Dakota Housing Development Authority

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

Following is a schedule of bonds, consolidated by category, outstanding at June 30, 2018 (Dollars Expressed in Thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Home-Ownership Mortgage Program</b>	2018-2048	.90%-5.85%	
Serial Bonds			\$ 375,810
Term Bonds			643,515
Add Unamortized Premium			20,328
<b>Total</b>			<u><b>1,039,653</b></u>
<b>Single Family Mortgage Revenue Bonds</b>	2018-2041	1.33%-5.00%	
Serial Bonds			29,055
Term Bonds			85,255
Add Unamortized Premium			891
<b>Total</b>			<u><b>115,201</b></u>
<b>Multiple Purpose Bonds</b>	2018-2048	1.66%-3.65%	
Serial Bonds			4,300
Term Bonds			13,265
<b>Total</b>			<u><b>17,565</b></u>
<b>Multifamily Housing Revenue Bonds</b>			
Term Bonds	2031-2044	1.51%-1.62%	<u><b>21,800</b></u>
<b>Total Bonds</b>			<u><u><b>\$ 1,194,219</b></u></u>

As of June 30, 2018, debt service requirements for principal and interest for the SDHDA were as follows (Expressed in Thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 39,938	\$ 33,193	\$ 73,131
2020	47,810	32,897	80,707
2021	48,785	31,951	80,736
2022	48,305	30,698	79,003
2023	45,475	29,594	75,069
2024-2028	208,975	130,201	339,176
2029-2033	205,560	100,313	305,873
2034-2038	192,985	71,227	264,212
2039-2043	146,720	44,387	191,107
2044-2048	185,523	11,533	197,056
2049-2052	2,925	56	2,981
<b>Total</b>	<u><b>\$ 1,173,001</b></u>	<u><b>\$ 516,050</b></u>	<u><b>\$ 1,689,051</b></u>

2. South Dakota Economic Development Finance Authority

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

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

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The money on deposit in the Capital Reserve Account is irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12.5% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2018, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$1,044,375.

The following is a schedule of outstanding bonds as of June 30, 2018 (Dollars Expressed in Thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
2013A	2021-2033	3.125%-5.800%	\$ 8,355
<b>Total</b>			<b>\$ 8,355</b>

As of June 30, 2018, debt service requirements for principal and interest for the EDFA were as follows (Expressed in Thousands):

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2019	\$ 395	\$ 445	\$ 840
2020	405	433	838
2021	420	420	840
2022	435	404	839
2023	455	383	838
2024-2028	2,685	1,517	4,202
2029-2033	3,560	643	4,203
<b>Total</b>	<b>\$ 8,355</b>	<b>\$ 4,245</b>	<b>\$ 12,600</b>

### 3. Higher Education

#### a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2018 equaled \$34,630,437. Following are revenue bonds outstanding at June 30, 2018 (Dollars Expressed in Thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>School of Mines and Technology</b>			
2008B	2028	4.550%	\$ 2,600
2009	2019	5.250%	375
2014A	2039	4.000%-5.000%	6,170
2014B	2033	4.000%-5.000%	5,410
2017A	2042	3.000%-5.000%	16,715
Add Unamortized Premium			3,185
<b>University of South Dakota</b>			
2009	2019	5.250%	1,295
2013A	2028	3.000%-5.000%	8,740
2015	2030	4.000%-5.000%	8,335
2017A	2039	4.000%-5.000%	32,490
Add Unamortized Premium			6,422
<b>South Dakota State University</b>			
2006	2026	3.920%	3,955
2009	2019	5.250%	1,175
2011	2036	3.625%-5.000%	49,640
2014A	2025	4.000%-5.000%	15,990
2015	2030	4.000%-5.000%	1,665
2016	2041	3.000%-5.000%	12,520
2017A	2042	3.000%-5.000%	38,140
Less Unamortized Discount			(87)
Add Unamortized Premium			10,232
<b>Northern State University</b>			
2008B	2028	4.550%	690
2009	2019	5.250%	50
2011	2036	3.625%-5.000%	4,855
2014B	2029	4.000%-5.000%	2,940
2016	2041	3.000%-5.000%	6,615
2017A	2034	4.000%-5.000%	915
Add Unamortized Premium			1,135
<b>Dakota State University</b>			
2007	2029	3.880%	250
2008	2028	3.880%	2,830
2014B	2025	4.000%-5.000%	1,145
2015	2040	4.000%-5.000%	10,555
Add Unamortized Premium			1,619
<b>Black Hills State University</b>			
2006	2026	3.920%	645
2007	2029	3.880%	5,245
2014A	2039	4.000%-5.000%	8,535
2014B	2026	4.000%-5.000%	1,295
Add Unamortized Premium			573
<b>Total</b>			<b>\$274,859</b>

As of June 30, 2018, debt service requirements for principal and interest were as follows (Expressed in Thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 12,395	\$ 11,626	\$ 24,021
2020	12,475	11,076	23,551
2021	12,995	10,516	23,511
2022	13,655	9,908	23,563
2023	14,290	9,246	23,536
2024-2028	69,340	36,072	105,412
2029-2033	59,405	20,936	80,341
2034-2038	42,930	7,794	50,724
2039-2043	14,295	1,181	15,476
<b>Total</b>	<b>\$ 251,780</b>	<b>\$ 118,355</b>	<b>\$ 370,135</b>

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

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

Following is a schedule of bonds outstanding at June 30, 2018 (Dollars Expressed in Thousands):

<b>Bond Series</b>	<b>Maturity Through</b>	<b>Interest Rates</b>	<b>Amount</b>
<b>Revenue Bonds</b>			
2009	2034	5.720%-6.760%	\$ 9,990
2010A	2027	4.250%-5.650%	6,440
2010B	2035	4.250%-6.200%	8,970
2010D	2019	3.000%-3.250%	53
2011	2026	3.000%-5.000%	7,790
2011A	2026	4.000%-5.000%	5,790
2012A	2028	1.800%-5.000%	6,105
2013B	2038	5.000%	67,315
2014A	2039	5.000%	32,210
2014B	2029	5.000%	5,250
2014C	2020	2.100%-2.400%	3,040
2014D	2026	4.500%-5.000%	1,138
2014E	2032	4.000%-5.000%	25,912
2014F	2032	2.450%-4.700%	7,105
2015B	2040	4.000%-5.000%	10,160
2017A	2042	3.000%-5.000%	11,180
Add Unamortized Premium			16,997
<b>Total Revenue Bonds</b>			<b>\$ 225,445</b>

As of June 30, 2018, debt service requirements for principal and interest for the South Dakota Building Authority (Higher Education portion) were as follows (Expressed in Thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 10,028	\$ 10,227	\$ 20,255
2020	10,421	9,807	20,228
2021	10,281	9,363	19,644
2022	10,761	8,876	19,637
2023	11,047	8,353	19,400
2024-2028	58,385	33,284	91,669
2029-2033	54,275	19,172	73,447
2034-2038	36,595	7,110	43,705
2039-2043	6,655	590	7,245
<b>Total</b>	<b>\$ 208,448</b>	<b>\$ 106,782</b>	<b>\$ 315,230</b>

### *Capital Leases*

The State has entered into various agreements to lease buildings, vehicles, and equipment. GASB standards require a lease that transfers substantially all of the benefits and risks of ownership to the lessee be accounted for as the acquisition of a capital 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, 2018 (Expressed in Thousands):

<b>Fiscal Year Ending June 30</b>	<b>Governmental Activities</b>	<b>Component Units</b>
2019	\$ 14,434	\$ 1,722
2020	13,091	1,114
2021	12,363	792
2022	11,418	208
2023	10,060	454
2024-2028	47,910	840
2029-2033	46,264	453
2034-2038	39,745	286
2039-2043	21,998	286
2044-2048	14,952	229
<b>Total Minimum Lease Payments</b>	<b>232,235</b>	<b>6,384</b>
Less: Amount Representing Interest	93,054	1,407
<b>Present Value of Net Minimum Lease Payments</b>	<b>\$ 139,181</b>	<b>\$ 4,977</b>



The historical cost and depreciation of assets under capital leases and included in capital assets on the Government-wide Financial Statements at June 30, 2018, are as follows (Expressed in Thousands):

	<b>Governmental Activities</b>
Land	\$ 614
Land Improvements	1,205
Buildings	139,395
Equipment	5,934
Vehicles	<u>27,530</u>
Total	174,678
Less: Accumulated Depreciation	<u>37,411</u>
<b>Total, Net</b>	<b><u>\$ 137,267</u></b>

### *Conduit Debt Obligations*

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by state governments 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, 2018, there were 114 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2018, could not be determined; however, the original issue amount totaled \$23,163,213.

As of June 30, 2018, there were 5 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2018, could not be determined; however, the original issue amount totaled \$8,592,500.

As of June 30, 2018, there were 17 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2018, could not be determined; however, the original issue amount totaled \$13,563,490.

As part of the American Recovery and Reinvestment Act, the South Dakota Value Added Finance Authority issued 3 recovery zone bonds in state fiscal year 2011. The outstanding balance at June 30, 2018, could not be determined; however, the original issue amount totaled \$24,750,000.

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

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

As of June 30, 2018, the aggregate amount of stand-alone bond principal outstanding was \$280,000. The original issue amount of stand-alone bonds totaled \$4,840,000.

## *Refunded and Defeased Bonds*

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

In December 2017, the Authority issued \$54,680,000 of fixed rate Homeownership Mortgage Bonds, 2017 Series E and 2017 Series F (the Refunding Bonds). The Refunding Bonds, totaling \$54,680,000 along with premium generated from the bond sale, were used to refund \$56,000,000 of Homeownership Mortgage Bonds, 2008 Series F and 2009 Series C (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$21.8 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$7.6 million.

### *2. South Dakota Building Authority*

On September 1, 2017, the Series 1993A State Lease Revenue Trust Certificates were paid in full from escrowed funds.

On June 1, 2018, the Series 2008 bonds were called with funds held in escrow in the amount of \$26,030,000 and cash held with the South Dakota Investment Council in the amount of \$31,040,000. There was a gain from the defeasance of the Series 2008 bonds in the amount of \$432,063 as a result of the unamortized original issue premium.

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

#### *Clean Water State Revolving Fund*

The 2017A refunding portion had an average interest rate of 1.73 percent which was used to refund \$725,000 of outstanding Taxable Series 2012B bonds with an average interest rate of 4.34 percent. The Series 2017B refunding portion had an average interest rate of 4.98 percent which was used to refund \$26,190,000 Tax-exempt Series 2012B bonds and \$5,186,015 Tax-exempt Series 2010B bonds with an average interest rate of 5.03 percent. The net proceeds of the refunding portion of \$36,727,046 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portions. As a result, the refunded portion bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,626,031. This difference is being charged to operations through 2032 using the effective-interest method. The District completed the advanced refunding for a net economic gain of \$2,810,001. The difference between the cash flows of the refunded bonds and the refunding bonds is a \$3,472,275 reduction in debt service payments.

Fully defeased bonds not yet paid to bondholders as of June 30, 2018, are as follows:

<u>Bond Issues</u>	<u>Year of Defeasance</u>	<u>Original Amount Defeased</u>
Series 2012B (01)	2018	\$ 725,000
Series 2010B (08)	2018	5,186,015
Series 2012B	2018	26,190,000
<b>Total</b>		<b>\$ 32,101,015</b>

Series 2010B (08) that was escrowed will be called on August 1, 2020.

Series 2012B (01) and Series 2012B that were escrowed will be called on August 1, 2022.

### *Drinking Water State Revolving Fund*

The 2017A refunding portion had an average interest rate of 1.73 percent which was used to refund \$790,000 of outstanding Taxable 2012B bonds with an average interest rate of 4.34 percent. The 2017B refunding portion had an average interest rate of 4.98 percent which was used to refund \$4,253,985 Tax-exempt Series 2010B bonds with an average interest rate of 5.03 percent. The net proceeds of the refunding portion of \$5,543,839 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded portions. As a result, the refunded portion bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$499,854. This difference is being charged to operations through 2028 using the effective-interest method. The District completed the advanced refunding for a net economic gain of \$627,936. The difference between the cash flows of the refunded bonds and the refunding bonds is a \$765,664 reduction in debt service payments.

Fully defeased bonds not yet paid to bondholders as of June 30, 2018, are as follows:

<u>Bond Issues</u>	<u>Year of Defeasance</u>	<u>Original Amount Defeased</u>
Series 2012B (01)	2018	\$ 790,000
Series 2010B (08)	2018	4,253,985
<b>Total</b>		<b>\$ 5,043,985</b>

Series 2010B (08) that were escrowed will be called on August 1, 2020.

Series 2012B (01) that were escrowed will be called on August 1, 2022.

#### *4. Higher Education and the South Dakota Board of Regents*

In December 2017, the South Dakota Board of Regents (SDBOR) issued \$88,260,000 in Revenue Bonds Series 2017 to advance refund a portion of the Series 2009 bonds and fund additional student housing projects. A refunding portion of \$29,745,000 with an average interest rate of 4.99 percent was used to refund \$32,510,000 of outstanding South Dakota State University (SDSU), South Dakota School of Mines & Technology (SDSMT), Northern State University (NSU) Series 2009 Bonds with an average interest rate of 6.11 percent. Additionally, \$32,490,000 with an average interest rate of 4.61 percent was used to refund \$34,570,000 of outstanding University of South Dakota (USD) Series 2009 Bonds with an average interest rate of 6.16 percent. The net proceeds of the refunding portion of \$71,574,342 (after payment of \$515,617 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all of the future debt service payments on the refunded portion of the Series 2009 bonds. Escrow balance as of June 30, 2018 was \$69,667,776. As a result, the refunded portion of the Series 2009 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The purpose of the advanced refunding was to reduce the SDBOR borrowing cost on debt that will be optionally redeemable at par on April 1, 2019, which decreased total debt service payments by \$17,910,294. These bonds were also eligible for the Building America Bond rebate from the federal government. The rebate attributable to the debt service decrease was \$15,282,138. This resulted in a net decrease in the debt service of \$2,628,156. This resulted in a present value savings on the SDSU bonds of \$781,172, the USD bonds of \$995,415, the SDSMT bonds of \$248,781, and the NSU bonds of \$33,491.

## *Pollution Remediation Obligations*

The State has pollution remediation obligation liabilities as of June 30, 2018, of \$11,707,416.

### *1. Gilt Edge Superfund Site*

The State of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency (EPA) for participation in the reclamation and remediation of the former Brohm Mine, the Gilt Edge Superfund Site in Lawrence County. The EPA's current estimate of total cleanup cost is \$173.1 million. This is an increase from the estimate last year due to an increase in the expected yearly Operation and Maintenance costs. In FY17, the EPA entered into a contract for \$19.6 million in which the State was not required to match, due to settlement money acquired by the EPA. This makes the total amount of cleanup costs that the State needs to match an estimated \$153.5 million. The State is required by law to pay 10% of the total costs of reclamation and remediation of the site, which is estimated to be \$15.4 million. The State has already spent approximately \$6.6 million with an estimated remaining outstanding liability as of June 30, 2018 of \$8,786,316. The State's contribution to the costs of reclamation and remediation will come from the Regulated Response Fund, which has a cash balance of \$2.4 million, but will grow with future penalties collected for environmental violations deposited into the fund and interest earned on the cash deposit. After the EPA completes its involvement at the site, the State will take control of the site and use the reclamation bond and settlement money to pay 100% of the ongoing water treatment costs. The State had a cash balance of approximately \$8.3 million from the cash reclamation bond deposited by Brohm and \$10.0 million in cash settlements as of June 30, 2018. However, actual costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

### *2. Petroleum Release Compensation Fund*

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. This fund and the requirement that the State provide reimbursement were established under SDCL 34A-13. As of June 30, 2018, PRCF was currently involved with 34 active cases, 21 active/monitoring cases, and 3 pending cases (spill report not yet filed), for a total of 58 cases. The estimated cost remaining for sites that have received at least one payment is \$321,100, the estimated cost for sites that haven't received any payments is \$2,000,000, and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2018, for this program is \$2,921,100. The cash balance in the PRCF on June 30, 2018, is \$2,141,126.

## 15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented in natural classifications. The following table presents those same expenses in functional classifications for Higher Education (excluding Foundations) as of June 30, 2018, as recommended by NACUBO (Expressed in Thousands):

Function	Personal Services	Travel	Contractual	Supplies & Non- Capitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation	Total
Instruction	\$ 164,114	\$ 3,861	\$ 15,037	\$ 9,684	\$ 1,025	\$ 1	\$ 5,874	\$ 199,596
Research	40,523	2,537	6,190	9,601	9,035	1	4,675	72,562
Public Service	25,360	1,735	7,179	4,794	1,583		267	40,918
Academic Support	39,768	1,232	12,282	4,876	18	1	1,818	59,995
Student Services	37,492	7,999	10,021	6,944	280		1,207	63,943
Institutional Support	43,467	1,097	21,705	3,409	1	949	2,433	73,061
O&M of Plant	22,469	276	15,787	9,135			34,678	82,345
Scholarships and Fellowships	1,205	9	14	196	24,701	172		26,297
Auxilliary Enterprises	10,514	130	38,636	12,541	21	1	2,098	63,941
Other						145	787	932
<b>Total</b>	<b>\$ 384,912</b>	<b>\$ 18,876</b>	<b>\$ 126,851</b>	<b>\$ 61,180</b>	<b>\$ 36,664</b>	<b>\$ 1,270</b>	<b>\$ 53,837</b>	<b>\$ 683,590</b>

## 16. POSTSECONDARY TECHNICAL INSTITUTE SYSTEM

The primary government has an ongoing financial responsibility for funding the four postsecondary technical institutes. The postsecondary technical institutes are considered part of the local school districts in the district where they are located. The oversight of the postsecondary technical institutes resides within the primary government through the South Dakota Board of Technical Education (SDBTE). The SDBTE provides overall policies, goals, and objectives for the management of the postsecondary technical institutes. The SDBTE consists of nine members appointed by the Governor. The SDBTE may adopt rules governing the operation of the postsecondary technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2018, the State provided \$25,138,000 in General Fund state aid payments to the postsecondary technical institutes.

Construction and renovation of facilities at the postsecondary technical institutes is funded with proceeds from debt issued by the Health and Educational Facilities Authority (HEFA). HEFA 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 primary government appoints a voting majority of HEFA's 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 HEFA and sub-leases the facilities at the postsecondary technical institutes to the school districts. The State makes lease payments to HEFA from a combination of General Fund appropriations, interest earnings from a special revenue fund, and from student facility fees collected by the postsecondary 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 technical education. Facilities constructed or renovated and the lease purchase agreements between the State and HEFA are reported under the governmental activities column in the Government-wide Statement of Net Position.

## 17. TAX ABATEMENTS

**The Reinvestment Payment Program** is an economic development program authorized under SDCL 1-16G-56 to 1-16G-68. The program is designed to promote new employment opportunities and increase property tax revenues in South Dakota by offsetting the costs associated with relocation or expansion of operations and/or the upgrading of equipment in South Dakota through the reimbursement of South Dakota sales and use tax that has been paid on approved projects. The program is intended for projects that would not have occurred without the reimbursement payment.

The Reinvestment Payment Program is administered by the Governor's Office of Economic Development (GOED) with qualifying projects being approved by The Board of Economic Development. Companies pursuing new or expanded facilities with total project costs exceeding \$20 million, or equipment upgrade costs exceeding \$2 million are eligible for program consideration upon timely completion of an application. A key criterion considered when approving or denying an application is the likelihood the project would have occurred without the reimbursement payment. The Board of Economic Development can approve individual projects from the application for a reimbursement payment that is equal to or less than South Dakota sales and use tax paid on the project costs. All sales and use tax must continue to be paid on the approved projects. Reimbursement payments are made after the project is complete and cannot exceed actual sales and use tax paid.

During fiscal year 2018, the State abated \$10,736,062 of sales and use tax as estimated reimbursement amounts for approved projects that have not met all the reimbursement criteria. The State reimbursed \$923,397 of sales and use tax during fiscal year 2018, \$771,082 was abated in prior fiscal years and \$152,315 was abated in fiscal year 2018.

## 18. RELATED PARTY TRANSACTIONS

**The South Dakota Development Corporation (SDDC)** is a South Dakota non-profit corporation and a Certified Development Company created for the purpose of administering the U.S. Small Business Administration's (SBA) 503/504 loan programs and the Microloan Program. The Microloan Program is formed as a partnership between the SDDC and the Governor's Office of Economic Development (GOED). GOED has agreed to provide certain staff services and related support of the SBA 504 loans and Microloan Program loans made by SDDC. GOED provides these services out of GOED funds. The purpose of the SBA's 504 loan program and the Microloan program is to help facilitate economic development and the creation of jobs in South Dakota. These loans are used to assist companies either operating in the State or moving to the State. Businesses use the loan funds to expand their operations, improve their facilities, or set up operations in South Dakota. The 504 loans awarded during fiscal year 2018 were \$1,574,800. Funding for these loans came from the SBA. In addition, the SDDC has approved loans totaling \$858,884 for the Microloan Program as of June 30, 2018. Effective May 15, 2018, GOED ended the provision of all staff services and related support to SDDC pursuant to a Transition Agreement between the two parties. Pursuant to that Transition Agreement, the SDDC transferred \$12,894,560 of its net assets to GOED. The transition was complete June 26, 2018.

**The Enterprise 605, Inc. (E605)** is a South Dakota non-profit corporation created for the purpose of promoting economic interests and economic development in the State of South Dakota by fostering entrepreneurship opportunities, the expansion of businesses, and supporting the growth and development of business concerns in South Dakota. E605 accomplishes this through education, informing public opinion germane to economic development in South Dakota, an internship program focused on economic development, and providing financial support to South Dakota businesses or businesses who plan to do business in South Dakota. The primary goal of the E605 is to provide investment growth capital to early stage South Dakota companies that have proven their business concept is commercially viable, but are not yet established enough to attract the interest of venture capitalists. GOED has agreed to provide certain staff services and related support for E605's programs and will provide these services out of GOED funds. GOED has pledged \$7,000,000 in Future Funds to support the mission of E605. As of June 30, 2018, \$3,000,000 of the grant dollars have been disbursed to E605.

The following transactions occurred between discretely presented component units and between the State and discretely presented component units.

**Governor's Office of Economic Development (GOED)** on June 12, 2018, GOED entered into an agreement to provide a Future Fund grant of \$10,000,000 to Dakota State University (DSU) to enhance their cyber security program. As of June 30, 2018, GOED has paid \$5,000,000 to DSU.

**The South Dakota Corn Utilization Council (SDCUC)** is a functional subunit of the Department of Agriculture, which was created under South Dakota Codified Law (SDCL) 38-32 for market maintenance and expansion, research, education, transportation, and for the prevention, modification, or elimination of trade barriers which obstruct the free flow of corn and corn products to the market.

In June 2017, the SDCUC executed a letter of commitment to provide the SDSU Foundation with annual installments of no less than \$300,000 but not to exceed \$3,000,000. The SDSU Foundation is a blended component unit of Higher Education, which is a discretely presented component unit to the State of South Dakota. The commitment is conditional based on the construction of a new Precision Agriculture facility. As of June 30, 2018, all of the \$6,000,000 committed to the construction of the new facility has been paid to the SDSU Foundation.

In 2018, The SDCUC committed an additional \$2,000,000 to the SDSU Foundation to endow the director of Precision Agriculture. SDCUC has paid \$500,000 towards this commitment with a total of \$1,500,000 remaining.

**The South Dakota Soybean Research and Promotion Council** is certified as a Qualified State Soybean Board (QSSB) as defined in section 1220.228 of the Soybean Promotion and Research Order in the Federal Register (volume 56, 131) and is part of the Department of Agriculture, a state agency, established by SDCL chapter 38-29. The Council administers programs and activities that are subject to the 1990 Federal legislation titled Soybean Promotion, Research and Consumer Information Act. South Dakota State University (SDSU) is a blended component unit of Higher Education, which is a discretely presented component unit to the State of South Dakota. For the year ended June 30, 2018, Soybean Council has reimbursed SDSU in the amount of \$1,196,030 for research projects.

**The South Dakota Ellsworth Development Authority (SDEDA)** was created by SDCL 1-16J for the purpose of protecting and promoting the economic impact of Ellsworth Air Force Base and associated industry, and to promote the health and safety of those living or working near the base.

At June 30, 2018, the SDEDA has loans payable to the State Department of Environment and Natural Resources for \$1,337,128 and to the Clean Water State Revolving Fund for \$19,971,685. Proceeds from the loans provided financing for the construction of the waste water treatment plant. SDEDA has pledged future user charges as security under various loan agreements.

During the fiscal year ending June 30, 2018, the SDEDA received \$300,000 from GOED for general operating support. The SDEDA was also previously awarded \$3,000,000 from the GOED for the purpose of matching funds awarded by the U.S. Department of Defense for the Readiness and Environment Protection Integration Program (REPI). Land purchased by the SDEDA under the REPI program has easements sold to the United States Air Force at the Yellowbook appraised value of each property. SDEDA is providing 25 percent matching funds for the REPI program. The SDEDA records the GOED matching funds as revenue when the funds have been used to meet the objectives of the REPI program. At June 30, 2018, all GOED funds had been recognized as revenue, and the state of South Dakota owed the Authority \$695,222 for matches paid with Authority funds. A receivable was not recorded for this amount, as it is not certain if and when the GOED will appropriate funds to the Authority.

**The South Dakota Housing Development Authority (SDHDA)** was created in 1973 by an Act of the South Dakota Legislature as a body politic and corporate, and an independent public instrumentality for the purpose of encouraging the investment of private capital for the construction and rehabilitation of residential housing to meet the needs of persons and families in the state. SDHDA has a note receivable of \$1,620,404 from the South Dakota Ellsworth Development Authority (SDEDA), another component unit of the State of South Dakota. The note receivable is based on funding through the Neighborhood Stabilization Program (NSP) which is a non-interest bearing note that will be forgiven in 2033 if restrictive covenants related to providing low income housing are maintained for the 20 year duration.

**The South Dakota Science and Technology Authority (SDSTA)** was created and organized SDCL 1-16H. The purposes of SDSTA are to foster and facilitate scientific and technology, investigation, experimentation, and development by creating a mechanism through which laboratory, experimental, and development facilities may be acquired and operated. SDSTA has various agreements with the other State component units and agencies that include:

A contract with the South Dakota School of Mines and Technology to be the lead institution for the accelerator project known as Compact Acceleration System Performing Astrophysical Research (CASPAR) for \$999,334 was finalized in November 2017.

An agreement with the Governor's Office of Economic Development (GOED) whereby the State is granting up to \$6,000,000 between July 14, 2015, and September 30, 2018. The State has chosen to engage in a public-private partnership with SDSTA, the South Dakota Community Foundation, the South Dakota State University Foundation, and the University of South Dakota Foundation to assist with the costs of infrastructure and laboratory upgrades, procurement of xenon for future "Dark Matter" experiments, and interest payments to these foundations. As of June 30, 2017, the full \$6,000,000 has been received from the State. Loan agreements are in place between SDSTA and the three foundations for a total of up to \$6,000,000 to be used for the purchase of xenon for the future LZ experiment, of which \$2,000,000 has been received from the South Dakota Community Foundation, and \$1,000,000 each from the University of South Dakota Foundation and the South Dakota State University Foundation. The loans extend to the last quarter of 2026. The loans are unsecured nonrecourse loans with 2.5% simple interest to be paid quarterly to each lender and will be repaid at the end of the LZ experiment with the proceeds of the xenon previously purchased.

The SDSTA, along with the South Dakota Bureau of Administration, and five additional South Dakota Authorities, signed an agreement on June 1, 2015 to form a captive insurance company to insure against certain risks. \$2,500,000 was repurposed in August 2015 from a portion of the \$10,000,000 Indemnification Fund held by the SDSTA. The funds will be used to provide initial capital and pay expenses for the SDSTA's purposes in the captive insurance company per HB 1186 of the 2015 Legislative Session.

## *19. SUBSEQUENT EVENTS*

### *Department of Environment and Natural Resources*

On December 19, 2018, the South Dakota Conservancy District completed the sale of the Series 2018 Bonds with a par amount of \$96,355,000 to provide leveraged funds for the Clean Water and Drinking Water State Revolving Fund programs.

### *South Dakota Housing Development Authority*

On December 18, 2018, the South Dakota Housing Development Authority issued \$99,000,000 of Homeownership Mortgage Bonds 2018 Series B with maturities from November 1, 2019 to November 1, 2048.

### *South Dakota Building Authority*

On December 27, 2018, the South Dakota Building Authority issued the Series 2018A bonds in the amount of \$30,755,000. The bond proceeds will be used to fund the South Dakota State University Raven Precision Agriculture Center and the University of South Dakota renovation of the Dakota Dome.



## 20. 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. The outcomes of these lawsuits could have an impact on the State's financial statements. Based on prior experience, it is unlikely that the outcome of these claims will materially affect the financial position of the State. The contingencies at June 30, 2018 are as follows:

### *Oglala Sioux Tribe and Rosebud Sioux Tribe et al v. State of South Dakota Department of Social Services*

This case was filed on March 21, 2013. Plaintiffs are challenging the procedures of the South Dakota Department of Social Services in emergency removal hearings, claiming violations of constitutional rights and of the Indian Child Welfare Act. The State has filed a Motion to Dismiss which was denied by the court in January 2014. On March 30, 2015, the Court ruled in favor of the Plaintiffs on a partial summary judgment motion. All Defendants have filed Motions to Reconsider as of May 20, 2015. The District Court has issued a Declaratory Judgment and an Injunction in favor of the Plaintiffs. The Declaratory Judgment and Injunction have been appealed to the United States Eighth Circuit Court of Appeals (8<sup>th</sup> Circuit). On September 14, 2018, the 8<sup>th</sup> Circuit issued its decision reversing the District Court determining that the District Court lacked jurisdiction under the abstention doctrine. The Plaintiffs filed a Motion for Re-Hearing subsequent to the decision. There are other motions pending for this case. The State is vigorously defending this case. If this matter has an unfavorable outcome, there will be considerable costs for discovery expenses, travel, and attorney fees totaling over \$2,500,000. This case is being run through the State Office of Risk Management Extraordinary Litigation Fund which is reported as part of the State's General Fund.

### *South Dakota v. BP, et al*

South Dakota Petroleum Release Compensation Fund, administered by the South Dakota Department of Environment and Natural Resources, brought claims against BP defendants for claims of fraud, misrepresentation, violations of their subrogation agreements, unjust enrichment, and is claiming that BP has strict liability under SDCL 34A-2-96, for the remediation of its environmental contamination at all of its divested former petroleum fuel dispensing facilities that were owned, operated, leased, controlled, distributed, and supplied by the defendant in the state. South Dakota is seeking damages that total \$12,149,249. Judge Barnett of the Sixth Judicial Circuit Court has vacated the scheduling order in this case until discovery is completed. Judge DeVaney is now assigned to the case.

### *United States of America v. State of South Dakota Department of Social Services*

On November 3, 2016, a lawsuit was filed in the U. S. District Court by the U. S. Department of Justice (DOJ) against the South Dakota Department of Social Services (DSS) alleging that DSS has engaged in a pattern or practice of discrimination against Native Americans in its hiring practices on the Pine Ridge Reservation in South Dakota. DSS intends to vigorously defend and denies any discrimination whatsoever in its hiring or retention practices on the Pine Ridge Reservation or elsewhere. All depositions and discovery have been completed and both sides have made motions for summary judgment to the United States District Court. The Court entered its Order granting Plaintiff's motion for partial summary judgment and denying the State's motion for summary judgment on September 25, 2018. The State filed a motion for permission to petition for interlocutory appeal. That motion remains pending for this case. If that motion is denied, the case is set for trial beginning May 13, 2019. Counsel cannot offer an opinion at this time of the risk of unfavorable outcome. This case is being run through the State Office of Risk Management Extraordinary Litigation Fund which is reported as part of the State's General Fund.

### *U.S. Bank National Association v. South Dakota Department of Revenue*

Department of Revenue (DOR) issued Certificate of Assessment (COA) on December 28, 2015, to U.S. Bank in the amount of \$508,926.11 (consisting of \$364,169 of tax and \$144,757 of interest), as a result of disallowing a bank franchise tax deduction claimed by U.S. Bank for the calendar year 2012 audit period. In issuing the assessment, the DOR also denied two refund requests for the periods ending December, 2010 and December, 2011, based on U.S. Bank's claim for the same deduction. The refunds requested were \$79,085 and \$77,899, respectively. A hearing was held by the Office of Hearing Examiners on September 28, 2017 on the U.S. Bank appeal of the COA and denial of refunds. On July 18, 2018, after reviewing the Proposed Decision of the hearing examiner, the Secretary of Revenue issued a Final Decision and Order. Notice of Entry of Final Decision and Order was served on July 19, 2018. On

August 17, 2018, U.S. Bank National Association filed a Notice of Appeal with the Sixth Judicial Circuit Court appealing DOR's final decision affirming the bank franchise tax assessment issued to U.S. Bank.

On September 20, 2017, DOR issued a second COA to U.S. Bank in the amount of \$511,138.69, (consisting of \$350,695.50 of tax and \$160,443.19 of interest), again, as a result of disallowing a bank franchise tax deduction claimed by U.S. Bank for the calendar year 2013 audit period. On September 19, 2018, DOR issued a third COA to U.S. Bank in the amount of \$705,422, (consisting of \$496,776 of tax and \$208,645 of interest for the calendar year 2014 audit period. U.S. Bank has appealed both of these assessments. Since the issue in the second and third matter is the same as the first matter, they are being held in abeyance pending the outcome of the first matter. The DOR is vigorously defending all matters. However, due to the nature of litigation, counsel is not in a position to give any opinion at this time as to the risk of a favorable or unfavorable outcome in these matters.

*Planned Parenthood Minnesota, North Dakota, South Dakota, and Carol E. Ball, M.D. v. Dennis Daugaard, et al.*

This is a challenge to the 2011 abortion legislation regarding mandatory informed consent advisements. The case was filed June 30, 2011, in the United States District Court for the District of South Dakota and is before Judge Schreier. Discovery has been initiated and is ongoing in this case. The State intends to vigorously defend against the plaintiffs' action. If this matter has an unfavorable outcome, there will be considerable costs for discovery expenses and attorney fees totaling over \$1,000,000. This case is being run through the State Office of Risk Management Extraordinary Litigation Fund which is reported as part of the State's General Fund.

## ***REQUIRED SUPPLEMENTARY INFORMATION***

**The *Required Supplementary Information* includes the Budgetary Reporting and Pension Information. The following individual schedules 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
- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions
- Notes to Required Supplementary Information – Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>RESOURCES (inflows) AVAILABLE FOR APPROPRIATION</b>				
<b>ONGOING RESOURCES</b>				
Sales and Use Tax	\$ 989,040	\$ 991,588	\$ 988,824	\$ (2,764)
Lottery	115,319	116,284	116,675	391
Contractor's Excise Tax	110,615	106,679	107,627	948
Insurance Company Tax	93,000	87,274	91,022	3,748
Unclaimed Property Receipts	51,461	50,374	52,766	2,392
Licenses, Permits, and Fees	64,000	66,963	67,492	529
Tobacco Taxes	55,032	54,564	54,158	(406)
Trust Funds	36,960	37,036	37,036	0
Net Transfers In	21,000	21,496	20,941	(555)
Alcohol Beverage Tax	8,000	8,019	7,668	(351)
Bank Franchise Tax	10,945	9,097	13,495	4,398
Charges for Goods and Services	16,115	17,200	16,095	(1,105)
Telecommunications Tax	5,338	4,690	4,931	241
Severance Taxes	5,826	6,763	6,603	(160)
Investment Income and Interest	5,249	6,039	6,053	14
Alcohol Beverage 2% Wholesale Tax	2,200	2,072	2,021	(51)
<b>TOTAL ONGOING</b>	<b>1,590,100</b>	<b>1,586,138</b>	<b>1,593,407</b>	<b>7,269</b>
<b>ONE-TIME RESOURCES</b>				
Transfer from DOR Agency fund	0	3,871	3,871	0
Transfer from Petroleum Release Fund	0	1,300	1,300	0
Transfer from Workforce Education Fund	0	793	793	0
Transfer from Prescription Drug Plan Fund	0	750	750	0
Transfer from Telecommunication Fund	0	750	750	0
Transfer from Court Automation Fund	0	500	500	0
Transfer from Video Lottery Fund	0	500	500	0
Transfer from Technology Fund	0	500	500	0
Transfer from Private Activities Bond Fee Fund	0	481	481	0
Transfer from Budgetary Accounting Fund	0	261	261	0
Transfer from Veterans' Home Operating Fund	0	120	120	0
Transfer from Budget Reserve Fund	0	5,856	5,856	0
Prior Period Adjustments	0	0	(1,309)	(1,309)
Unexpended Carryovers	0	0	180	180
Prior Year Carryover and Encumbered	7,779	7,779	7,779	0
<b>TOTAL ONE-TIME RESOURCES</b>	<b>7,779</b>	<b>23,461</b>	<b>22,332</b>	<b>(1,129)</b>
<b>TOTAL RESOURCES AVAILABLE FOR APPROPRIATION</b>	<b>\$ 1,597,879</b>	<b>\$ 1,609,599</b>	<b>\$ 1,615,739</b>	<b>\$ 6,140</b>
<b>CHARGES TO APPROPRIATIONS (outflows)</b>				
<b>OFFICE OF THE GOVERNOR</b>				
Personal Services	\$ 1,918	\$ 1,838	\$ 1,749	\$ 89
Operating Expenses	453	543	543	0
<b>TOTAL</b>	<b>2,371</b>	<b>2,381</b>	<b>2,292</b>	<b>89</b>
<b>GOVERNOR'S CONTINGENCY FUND</b>				
Personal Services	0	0	0	0
Operating Expenses	75	75	75	0
<b>TOTAL</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>0</b>
<b>GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT</b>				
Personal Services	1,770	1,779	1,779	0
Operating Expenses	963	964	916	48
<b>TOTAL</b>	<b>2,733</b>	<b>2,743</b>	<b>2,695</b>	<b>48</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OFFICE OF RESEARCH COMMERCE</b>				
Personal Services	\$ 187	\$ 188	\$ 121	\$ 67
Operating Expenses	3,974	3,974	3,974	0
<b>TOTAL</b>	<b>4,161</b>	<b>4,162</b>	<b>4,095</b>	<b>67</b>
<b>LIEUTENANT GOVERNOR</b>				
Personal Services	22	22	22	0
Operating Expenses	14	14	14	0
<b>TOTAL</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>0</b>
<b>BUREAU OF FINANCE AND MANAGEMENT</b>				
Personal Services	713	719	673	46
Operating Expenses	249	250	250	0
<b>TOTAL</b>	<b>962</b>	<b>969</b>	<b>923</b>	<b>46</b>
<b>ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION</b>				
Personal Services	0	0	0	0
Operating Expenses	1	1	1	0
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>CENTRAL SERVICES</b>				
Personal Services	193	197	188	9
Operating Expenses	210	210	210	0
<b>TOTAL</b>	<b>403</b>	<b>407</b>	<b>398</b>	<b>9</b>
<b>STATEWIDE MAINTENANCE AND REPAIR</b>				
Personal Services	0	0	0	0
Operating Expenses	28,089	28,089	13,385	14,704
<b>TOTAL</b>	<b>28,089</b>	<b>28,089</b>	<b>13,385</b>	<b>14,704</b>
<b>OFFICE OF HEARING EXAMINERS</b>				
Personal Services	272	275	264	11
Operating Expenses	75	75	56	19
<b>TOTAL</b>	<b>347</b>	<b>350</b>	<b>320</b>	<b>30</b>
<b>PEPL FUND ADMINISTRATION</b>				
Personal Services	0	0	0	0
Operating Expenses	0	424	424	0
<b>TOTAL</b>	<b>0</b>	<b>424</b>	<b>424</b>	<b>0</b>
<b>OBLIGATION RECOVERY CENTER</b>				
Personal Services	0	0	0	0
Operating Expenses	450	770	706	64
<b>TOTAL</b>	<b>450</b>	<b>770</b>	<b>706</b>	<b>64</b>
<b>SOUTH DAKOTA PUBLIC BROADCASTING</b>				
Personal Services	2,902	2,937	2,937	0
Operating Expenses	1,260	1,264	1,264	0
<b>TOTAL</b>	<b>4,162</b>	<b>4,201</b>	<b>4,201</b>	<b>0</b>
<b>STATE RADIO ENGINEERING</b>				
Personal Services	765	771	766	5
Operating Expenses	2,294	2,596	2,596	0
<b>TOTAL</b>	<b>3,059</b>	<b>3,367</b>	<b>3,362</b>	<b>5</b>
<b>PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS</b>				
Personal Services	218	221	221	0
Operating Expenses	64	64	64	0
<b>TOTAL</b>	<b>282</b>	<b>285</b>	<b>285</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT</b>				
Personal Services	\$ 8,960	\$ 8,947	\$ 8,720	\$ 227
Operating Expenses	38,171	39,313	24,478	14,835
<b>TOTAL</b>	<b>47,131</b>	<b>48,260</b>	<b>33,198</b>	<b>15,062</b>
<b>PROPERTY AND SPECIAL TAXES</b>				
Personal Services	1,039	1,064	1,017	47
Operating Expenses	911	1,349	867	482
<b>TOTAL</b>	<b>1,950</b>	<b>2,413</b>	<b>1,884</b>	<b>529</b>
<b>DEPARTMENT TOTAL, REVENUE</b>				
Personal Services	1,039	1,064	1,017	47
Operating Expenses	911	1,349	867	482
<b>TOTAL</b>	<b>1,950</b>	<b>2,413</b>	<b>1,884</b>	<b>529</b>
<b>ADMINISTRATION, SECRETARY OF AGRICULTURE</b>				
Personal Services	707	713	713	0
Operating Expenses	189	190	190	0
<b>TOTAL</b>	<b>896</b>	<b>903</b>	<b>903</b>	<b>0</b>
<b>AGRICULTURAL SERVICES AND ASSISTANCE</b>				
Personal Services	1,699	1,718	1,718	0
Operating Expenses	664	1,431	1,429	2
<b>TOTAL</b>	<b>2,363</b>	<b>3,149</b>	<b>3,147</b>	<b>2</b>
<b>AGRICULTURAL DEVELOPMENT AND PROMOTION</b>				
Personal Services	1,313	1,329	1,329	0
Operating Expenses	507	507	500	7
<b>TOTAL</b>	<b>1,820</b>	<b>1,836</b>	<b>1,829</b>	<b>7</b>
<b>ANIMAL INDUSTRY BOARD</b>				
Personal Services	1,782	1,809	1,771	38
Operating Expenses	346	346	346	0
<b>TOTAL</b>	<b>2,128</b>	<b>2,155</b>	<b>2,117</b>	<b>38</b>
<b>STATE FAIR</b>				
Personal Services	0	0	0	0
Operating Expenses	324	324	324	0
<b>TOTAL</b>	<b>324</b>	<b>324</b>	<b>324</b>	<b>0</b>
<b>DEPARTMENT TOTAL, AGRICULTURE</b>				
Personal Services	5,501	5,569	5,531	38
Operating Expenses	2,030	2,798	2,789	9
<b>TOTAL</b>	<b>7,531</b>	<b>8,367</b>	<b>8,320</b>	<b>47</b>
<b>ADMINISTRATION, SECRETARY OF GAME, FISH, AND PARKS</b>				
Personal Services	139	147	147	0
Operating Expenses	822	822	822	0
<b>TOTAL</b>	<b>961</b>	<b>969</b>	<b>969</b>	<b>0</b>
<b>STATE PARKS AND RECREATION</b>				
Personal Services	2,733	2,759	2,759	0
Operating Expenses	2,590	2,590	2,590	0
<b>TOTAL</b>	<b>5,323</b>	<b>5,349</b>	<b>5,349</b>	<b>0</b>
<b>DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION</b>				
Personal Services	0	0	0	0
Operating Expenses	215	215	215	0
<b>TOTAL</b>	<b>215</b>	<b>215</b>	<b>215</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT TOTAL, GAME, FISH, AND PARKS</b>				
Personal Services	\$ 2,872	\$ 2,906	\$ 2,906	\$ 0
Operating Expenses	3,627	3,627	3,627	0
<b>TOTAL</b>	<b>6,499</b>	<b>6,533</b>	<b>6,533</b>	<b>0</b>
<b>OFFICE OF TRIBAL RELATIONS</b>				
Personal Services	426	431	407	24
Operating Expenses	101	101	101	0
<b>TOTAL</b>	<b>527</b>	<b>532</b>	<b>508</b>	<b>24</b>
<b>DEPARTMENT TOTAL, TRIBAL RELATIONS</b>				
Personal Services	426	431	407	24
Operating Expenses	101	101	101	0
<b>TOTAL</b>	<b>527</b>	<b>532</b>	<b>508</b>	<b>24</b>
<b>ADMINISTRATION, SECRETARY OF SOCIAL SERVICES</b>				
Personal Services	4,410	4,484	4,484	0
Operating Expenses	5,220	5,392	5,392	0
<b>TOTAL</b>	<b>9,630</b>	<b>9,876</b>	<b>9,876</b>	<b>0</b>
<b>ECONOMIC ASSISTANCE</b>				
Personal Services	8,226	8,358	8,358	0
Operating Expenses	17,423	16,543	16,502	41
<b>TOTAL</b>	<b>25,649</b>	<b>24,901</b>	<b>24,860</b>	<b>41</b>
<b>MEDICAL AND ADULT SERVICES</b>				
Personal Services	870	1,077	1,069	8
Operating Expenses	231,400	221,397	216,894	4,503
<b>TOTAL</b>	<b>232,270</b>	<b>222,474</b>	<b>217,963</b>	<b>4,511</b>
<b>CHILDREN'S SERVICES</b>				
Personal Services	12,518	12,650	12,650	0
Operating Expenses	32,642	30,237	30,200	37
<b>TOTAL</b>	<b>45,160</b>	<b>42,887</b>	<b>42,850</b>	<b>37</b>
<b>BEHAVIORAL HEALTH</b>				
Personal Services	31,906	32,467	32,467	0
Operating Expenses	49,550	48,681	45,906	2,775
<b>TOTAL</b>	<b>81,456</b>	<b>81,148</b>	<b>78,373</b>	<b>2,775</b>
<b>DEPARTMENT TOTAL, SOCIAL SERVICES</b>				
Personal Services	57,930	59,036	59,028	8
Operating Expenses	336,235	322,250	314,894	7,356
<b>TOTAL</b>	<b>394,165</b>	<b>381,286</b>	<b>373,922</b>	<b>7,364</b>
<b>ADMINISTRATION, SECRETARY OF HEALTH</b>				
Personal Services	747	756	756	0
Operating Expenses	215	218	218	0
<b>TOTAL</b>	<b>962</b>	<b>974</b>	<b>974</b>	<b>0</b>
<b>HEALTH SYSTEMS DEVELOPMENT AND REGULATION</b>				
Personal Services	2,139	2,164	2,164	0
Operating Expenses	2,562	3,404	2,301	1,103
<b>TOTAL</b>	<b>4,701</b>	<b>5,568</b>	<b>4,465</b>	<b>1,103</b>
<b>FAMILY AND COMMUNITY HEALTH</b>				
Personal Services	2,262	2,293	2,293	0
Operating Expenses	2,313	2,320	2,320	0
<b>TOTAL</b>	<b>4,575</b>	<b>4,613</b>	<b>4,613</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT TOTAL, HEALTH</b>				
Personal Services	\$ 5,148	\$ 5,213	\$ 5,213	\$ 0
Operating Expenses	5,090	5,942	4,839	1,103
<b>TOTAL</b>	<b>10,238</b>	<b>11,155</b>	<b>10,052</b>	<b>1,103</b>
<b>ADMINISTRATION, SECRETARY OF LABOR</b>				
Personal Services	41	42	42	0
Operating Expenses	518	519	516	3
<b>TOTAL</b>	<b>559</b>	<b>561</b>	<b>558</b>	<b>3</b>
<b>UNEMPLOYMENT INSURANCE SERVICES</b>				
Personal Services	0	0	0	0
Operating Expenses	0	1	1	0
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>FIELD OPERATIONS</b>				
Personal Services	541	549	549	0
Operating Expenses	115	115	112	3
<b>TOTAL</b>	<b>656</b>	<b>664</b>	<b>661</b>	<b>3</b>
<b>STATE LABOR LAW ADMINISTRATION</b>				
Personal Services	629	637	637	0
Operating Expenses	98	98	98	0
<b>TOTAL</b>	<b>727</b>	<b>735</b>	<b>735</b>	<b>0</b>
<b>DEPARTMENT TOTAL, LABOR AND REGULATION</b>				
Personal Services	1,211	1,228	1,228	0
Operating Expenses	731	733	727	6
<b>TOTAL</b>	<b>1,942</b>	<b>1,961</b>	<b>1,955</b>	<b>6</b>
<b>GENERAL OPERATIONS</b>				
Personal Services	523	529	529	0
Operating Expenses	26	26	26	0
<b>TOTAL</b>	<b>549</b>	<b>555</b>	<b>555</b>	<b>0</b>
<b>DEPARTMENT TOTAL, TRANSPORTATION</b>				
Personal Services	523	529	529	0
Operating Expenses	26	26	26	0
<b>TOTAL</b>	<b>549</b>	<b>555</b>	<b>555</b>	<b>0</b>
<b>ADMINISTRATION, SECRETARY OF EDUCATION</b>				
Personal Services	1,546	1,814	1,814	0
Operating Expenses	1,074	1,243	1,230	13
<b>TOTAL</b>	<b>2,620</b>	<b>3,057</b>	<b>3,044</b>	<b>13</b>
<b>STATE AID TO GENERAL EDUCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	449,194	459,554	459,554	0
<b>TOTAL</b>	<b>449,194</b>	<b>459,554</b>	<b>459,554</b>	<b>0</b>
<b>STATE AID TO SPECIAL EDUCATION</b>				
Personal Services	0	0	0	0
Operating Expenses	63,742	67,838	67,838	0
<b>TOTAL</b>	<b>63,742</b>	<b>67,838</b>	<b>67,838</b>	<b>0</b>
<b>SPARSITY PAYMENTS</b>				
Personal Services	0	0	0	0
Operating Expenses	2,012	2,003	2,003	0
<b>TOTAL</b>	<b>2,012</b>	<b>2,003</b>	<b>2,003</b>	<b>0</b>



**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>NATIONAL BOARD CERTIFIED TEACHERS</b>				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	150	150	144	6
<b>TOTAL</b>	<b>150</b>	<b>150</b>	<b>144</b>	<b>6</b>
<b>TECHNOLOGY AND INNOVATION IN SCHOOLS</b>				
Personal Services	0	0	0	0
Operating Expenses	14,764	14,574	14,535	39
<b>TOTAL</b>	<b>14,764</b>	<b>14,574</b>	<b>14,535</b>	<b>39</b>
<b>POSTSECONDARY VOCATIONAL EDUCATION</b>				
Personal Services	34	34	34	0
Operating Expenses	22,347	22,956	22,952	4
<b>TOTAL</b>	<b>22,381</b>	<b>22,990</b>	<b>22,986</b>	<b>4</b>
<b>POSTSECONDARY VOCATIONAL EDUCATION TUITION ASSISTANCE</b>				
Personal Services	0	0	0	0
Operating Expenses	1,832	1,832	1,832	0
<b>TOTAL</b>	<b>1,832</b>	<b>1,832</b>	<b>1,832</b>	<b>0</b>
<b>POSTSECONDARY INSTRUCTOR SALARY ENHANCEMENTS</b>				
Personal Services	0	0	0	0
Operating Expenses	3,000	3,000	2,963	37
<b>TOTAL</b>	<b>3,000</b>	<b>3,000</b>	<b>2,963</b>	<b>37</b>
<b>EDUCATION RESOURCES</b>				
Personal Services	2,140	2,167	2,167	0
Operating Expenses	7,422	7,835	7,605	230
<b>TOTAL</b>	<b>9,562</b>	<b>10,002</b>	<b>9,772</b>	<b>230</b>
<b>HISTORY</b>				
Personal Services	992	941	941	0
Operating Expenses	1,233	1,257	1,257	0
<b>TOTAL</b>	<b>2,225</b>	<b>2,198</b>	<b>2,198</b>	<b>0</b>
<b>OFFICE OF STATE LIBRARY</b>				
Personal Services	1,058	993	993	0
Operating Expenses	865	853	853	0
<b>TOTAL</b>	<b>1,923</b>	<b>1,846</b>	<b>1,846</b>	<b>0</b>
<b>DEPARTMENT TOTAL, EDUCATION</b>				
Personal Services	5,770	5,949	5,949	0
Operating Expenses	567,635	583,095	582,766	329
<b>TOTAL</b>	<b>573,405</b>	<b>589,044</b>	<b>588,715</b>	<b>329</b>
<b>ADMINISTRATION, SECRETARY OF PUBLIC SAFETY</b>				
Personal Services	132	132	132	0
Operating Expenses	15	15	15	0
<b>TOTAL</b>	<b>147</b>	<b>147</b>	<b>147</b>	<b>0</b>
<b>ENFORCEMENT</b>				
Personal Services	600	609	549	60
Operating Expenses	867	767	748	19
<b>TOTAL</b>	<b>1,467</b>	<b>1,376</b>	<b>1,297</b>	<b>79</b>
<b>EMERGENCY SERVICES AND HOMELAND SECURITY</b>				
Personal Services	1,000	1,013	997	16
Operating Expenses	3,727	3,729	3,728	1
<b>TOTAL</b>	<b>4,727</b>	<b>4,742</b>	<b>4,725</b>	<b>17</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>LEGAL AND REGULATORY SERVICES</b>				
Personal Services	\$ 70	\$ 71	\$ 64	\$ 7
Operating Expenses	827	827	827	0
<b>TOTAL</b>	<b>897</b>	<b>898</b>	<b>891</b>	<b>7</b>
<b>DEPARTMENT TOTAL, PUBLIC SAFETY</b>				
Personal Services	1,802	1,825	1,742	83
Operating Expenses	5,436	5,338	5,318	20
<b>TOTAL</b>	<b>7,238</b>	<b>7,163</b>	<b>7,060</b>	<b>103</b>
<b>REGENTS CENTRAL OFFICE</b>				
Personal Services	4,502	4,534	4,534	0
Operating Expenses	19,692	19,322	11,777	7,545
<b>TOTAL</b>	<b>24,194</b>	<b>23,856</b>	<b>16,311</b>	<b>7,545</b>
<b>RESEARCH POOL</b>				
Personal Services	0	0	0	0
Operating Expenses	1,924	1,924	1,923	1
<b>TOTAL</b>	<b>1,924</b>	<b>1,924</b>	<b>1,923</b>	<b>1</b>
<b>SOUTH DAKOTA SCHOLARSHIPS</b>				
Personal Services	0	0	0	0
Operating Expenses	6,084	6,084	5,972	112
<b>TOTAL</b>	<b>6,084</b>	<b>6,084</b>	<b>5,972</b>	<b>112</b>
<b>UNIVERSITY OF SOUTH DAKOTA PROPER</b>				
Personal Services	33,001	33,888	33,888	0
Operating Expenses	4,003	3,874	3,874	0
<b>TOTAL</b>	<b>37,004</b>	<b>37,762</b>	<b>37,762</b>	<b>0</b>
<b>UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE</b>				
Personal Services	19,416	19,586	19,586	0
Operating Expenses	3,597	3,470	3,470	0
<b>TOTAL</b>	<b>23,013</b>	<b>23,056</b>	<b>23,056</b>	<b>0</b>
<b>SOUTH DAKOTA STATE UNIVERSITY PROPER</b>				
Personal Services	41,636	42,433	42,433	0
Operating Expenses	4,757	6,828	6,828	0
<b>TOTAL</b>	<b>46,393</b>	<b>49,261</b>	<b>49,261</b>	<b>0</b>
<b>SOUTH DAKOTA STATE UNIVERSITY EXTENSION</b>				
Personal Services	8,315	8,400	8,400	0
Operating Expenses	329	329	329	0
<b>TOTAL</b>	<b>8,644</b>	<b>8,729</b>	<b>8,729</b>	<b>0</b>
<b>AGRICULTURAL EXPERIMENT STATION</b>				
Personal Services	11,670	11,759	11,759	0
Operating Expenses	627	627	627	0
<b>TOTAL</b>	<b>12,297</b>	<b>12,386</b>	<b>12,386</b>	<b>0</b>
<b>SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY</b>				
Personal Services	15,838	16,087	16,087	0
Operating Expenses	864	897	887	10
<b>TOTAL</b>	<b>16,702</b>	<b>16,984</b>	<b>16,974</b>	<b>10</b>
<b>NORTHERN STATE UNIVERSITY</b>				
Personal Services	13,579	13,820	13,820	0
Operating Expenses	1,060	1,047	1,047	0
<b>TOTAL</b>	<b>14,639</b>	<b>14,867</b>	<b>14,867</b>	<b>0</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>BLACK HILLS STATE UNIVERSITY</b>				
Personal Services	\$ 8,933	\$ 9,172	\$ 9,172	\$ 0
Operating Expenses	619	692	665	27
<b>TOTAL</b>	<b>9,552</b>	<b>9,864</b>	<b>9,837</b>	<b>27</b>
<b>DAKOTA STATE UNIVERSITY</b>				
Personal Services	9,121	9,355	9,355	0
Operating Expenses	624	579	579	0
<b>TOTAL</b>	<b>9,745</b>	<b>9,934</b>	<b>9,934</b>	<b>0</b>
<b>SOUTH DAKOTA SCHOOL FOR THE DEAF</b>				
Personal Services	1,717	1,877	1,825	52
Operating Expenses	1,126	1,001	779	222
<b>TOTAL</b>	<b>2,843</b>	<b>2,878</b>	<b>2,604</b>	<b>274</b>
<b>SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED</b>				
Personal Services	2,790	2,797	2,795	2
Operating Expenses	247	281	281	0
<b>TOTAL</b>	<b>3,037</b>	<b>3,078</b>	<b>3,076</b>	<b>2</b>
<b>DEPARTMENT TOTAL, BOARD OF REGENTS</b>				
Personal Services	170,518	173,708	173,654	54
Operating Expenses	45,553	46,955	39,038	7,917
<b>TOTAL</b>	<b>216,071</b>	<b>220,663</b>	<b>212,692</b>	<b>7,971</b>
<b>ADJUTANT GENERAL</b>				
Personal Services	433	437	436	1
Operating Expenses	206	207	140	67
<b>TOTAL</b>	<b>639</b>	<b>644</b>	<b>576</b>	<b>68</b>
<b>ARMY GUARD</b>				
Personal Services	415	422	422	0
Operating Expenses	4,182	4,683	3,168	1,515
<b>TOTAL</b>	<b>4,597</b>	<b>5,105</b>	<b>3,590</b>	<b>1,515</b>
<b>AIR GUARD</b>				
Personal Services	203	206	206	0
Operating Expenses	214	235	235	0
<b>TOTAL</b>	<b>417</b>	<b>441</b>	<b>441</b>	<b>0</b>
<b>DEPARTMENT TOTAL, MILITARY</b>				
Personal Services	1,051	1,065	1,064	1
Operating Expenses	4,602	5,125	3,543	1,582
<b>TOTAL</b>	<b>5,653</b>	<b>6,190</b>	<b>4,607</b>	<b>1,583</b>
<b>VETERANS' BENEFITS AND SERVICES</b>				
Personal Services	1,147	1,169	1,164	5
Operating Expenses	856	857	593	264
<b>TOTAL</b>	<b>2,003</b>	<b>2,026</b>	<b>1,757</b>	<b>269</b>
<b>STATE VETERANS' HOME</b>				
Personal Services	2,462	2,494	2,493	1
Operating Expenses	90	90	77	13
<b>TOTAL</b>	<b>2,552</b>	<b>2,584</b>	<b>2,570</b>	<b>14</b>
<b>STATE VETERANS' CEMETERY</b>				
Personal Services	0	0	0	0
Operating Expenses	0	450	9	441
<b>TOTAL</b>	<b>0</b>	<b>450</b>	<b>9</b>	<b>441</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT TOTAL, VETERANS' AFFAIRS</b>				
Personal Services	\$ 3,609	\$ 3,663	\$ 3,657	\$ 6
Operating Expenses	946	1,397	679	718
<b>TOTAL</b>	<b>4,555</b>	<b>5,060</b>	<b>4,336</b>	<b>724</b>
<b>ADMINISTRATION, CENTRAL OFFICE</b>				
Personal Services	1,700	1,692	1,692	0
Operating Expenses	1,296	1,596	1,596	0
<b>TOTAL</b>	<b>2,996</b>	<b>3,288</b>	<b>3,288</b>	<b>0</b>
<b>MIKE DURFEE STATE PRISON</b>				
Personal Services	12,082	12,624	12,624	0
Operating Expenses	6,007	6,825	6,736	89
<b>TOTAL</b>	<b>18,089</b>	<b>19,449</b>	<b>19,360</b>	<b>89</b>
<b>STATE PENITENTIARY</b>				
Personal Services	17,938	18,667	18,666	1
Operating Expenses	6,903	7,601	7,601	0
<b>TOTAL</b>	<b>24,841</b>	<b>26,268</b>	<b>26,267</b>	<b>1</b>
<b>WOMEN'S PRISON</b>				
Personal Services	3,975	4,122	4,122	0
Operating Expenses	1,888	2,145	2,138	7
<b>TOTAL</b>	<b>5,863</b>	<b>6,267</b>	<b>6,260</b>	<b>7</b>
<b>INMATE SERVICES</b>				
Personal Services	1,686	1,594	1,594	0
Operating Expenses	26,924	26,880	26,880	0
<b>TOTAL</b>	<b>28,610</b>	<b>28,474</b>	<b>28,474</b>	<b>0</b>
<b>PAROLE SERVICES</b>				
Personal Services	3,580	3,681	3,681	0
Operating Expenses	2,042	2,089	2,077	12
<b>TOTAL</b>	<b>5,622</b>	<b>5,770</b>	<b>5,758</b>	<b>12</b>
<b>JUVENILE COMMUNITY CORRECTIONS</b>				
Personal Services	2,278	1,948	1,948	0
Operating Expenses	11,142	8,827	8,773	54
<b>TOTAL</b>	<b>13,420</b>	<b>10,775</b>	<b>10,721</b>	<b>54</b>
<b>STATE TREATMENT AND REHABILITATION ACADEMY</b>				
Personal Services	226	159	159	0
Operating Expenses	346	294	264	30
<b>TOTAL</b>	<b>572</b>	<b>453</b>	<b>423</b>	<b>30</b>
<b>DEPARTMENT TOTAL, CORRECTIONS</b>				
Personal Services	43,465	44,487	44,486	1
Operating Expenses	56,548	56,257	56,065	192
<b>TOTAL</b>	<b>100,013</b>	<b>100,744</b>	<b>100,551</b>	<b>193</b>
<b>ADMINISTRATION, SECRETARY OF HUMAN SERVICES</b>				
Personal Services	738	745	740	5
Operating Expenses	311	313	265	48
<b>TOTAL</b>	<b>1,049</b>	<b>1,058</b>	<b>1,005</b>	<b>53</b>
<b>DEVELOPMENTAL DISABILITIES</b>				
Personal Services	722	729	641	88
Operating Expenses	60,355	60,469	60,397	72
<b>TOTAL</b>	<b>61,077</b>	<b>61,198</b>	<b>61,038</b>	<b>160</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD</b>				
Personal Services	\$ 9,092	\$ 8,599	\$ 8,148	\$ 451
Operating Expenses	2,299	2,305	2,264	41
<b>TOTAL</b>	<b>11,391</b>	<b>10,904</b>	<b>10,412</b>	<b>492</b>
<b>LONG-TERM SERVICES AND SUPPORT</b>				
Personal Services	2,447	2,476	2,469	7
Operating Expenses	84,229	82,857	82,800	57
<b>TOTAL</b>	<b>86,676</b>	<b>85,333</b>	<b>85,269</b>	<b>64</b>
<b>REHABILITATION SERVICES</b>				
Personal Services	895	906	905	1
Operating Expenses	3,900	3,916	3,667	249
<b>TOTAL</b>	<b>4,795</b>	<b>4,822</b>	<b>4,572</b>	<b>250</b>
<b>SERVICES TO THE BLIND AND VISUALLY IMPAIRED</b>				
Personal Services	507	513	512	1
Operating Expenses	464	464	425	39
<b>TOTAL</b>	<b>971</b>	<b>977</b>	<b>937</b>	<b>40</b>
<b>DEPARTMENT TOTAL, HUMAN SERVICES</b>				
Personal Services	14,401	13,968	13,415	553
Operating Expenses	151,558	150,324	149,818	506
<b>TOTAL</b>	<b>165,959</b>	<b>164,292</b>	<b>163,233</b>	<b>1,059</b>
<b>FINANCIAL AND TECHNICAL ASSISTANCE</b>				
Personal Services	2,202	2,222	2,222	0
Operating Expenses	358	359	359	0
<b>TOTAL</b>	<b>2,560</b>	<b>2,581</b>	<b>2,581</b>	<b>0</b>
<b>ENVIRONMENTAL SERVICES</b>				
Personal Services	3,476	3,512	3,512	0
Operating Expenses	599	605	605	0
<b>TOTAL</b>	<b>4,075</b>	<b>4,117</b>	<b>4,117</b>	<b>0</b>
<b>DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES</b>				
Personal Services	5,678	5,734	5,734	0
Operating Expenses	957	964	964	0
<b>TOTAL</b>	<b>6,635</b>	<b>6,698</b>	<b>6,698</b>	<b>0</b>
<b>ADMINISTRATION, PUBLIC UTILITIES COMMISSION</b>				
Personal Services	524	529	529	0
Operating Expenses	56	56	56	0
<b>TOTAL</b>	<b>580</b>	<b>585</b>	<b>585</b>	<b>0</b>
<b>DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION</b>				
Personal Services	524	529	529	0
Operating Expenses	56	56	56	0
<b>TOTAL</b>	<b>580</b>	<b>585</b>	<b>585</b>	<b>0</b>
<b>UNIFIED JUDICIAL SYSTEM</b>				
Personal Services	39,703	40,174	39,082	1,092
Operating Expenses	5,138	5,144	5,124	20
<b>TOTAL</b>	<b>44,841</b>	<b>45,318</b>	<b>44,206</b>	<b>1,112</b>
<b>DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM</b>				
Personal Services	39,703	40,174	39,082	1,092
Operating Expenses	5,138	5,144	5,124	20
<b>TOTAL</b>	<b>44,841</b>	<b>45,318</b>	<b>44,206</b>	<b>1,112</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>LEGISLATIVE OPERATIONS</b>				
Appropriation	\$ 6,374	\$ 6,399	\$ 6,104	\$ 295
<b>TOTAL</b>	<b>6,374</b>	<b>6,399</b>	<b>6,104</b>	<b>295</b>
<b>AUDITOR GENERAL</b>				
Personal Services	3,339	3,363	3,052	311
Operating Expenses	394	399	390	9
<b>TOTAL</b>	<b>3,733</b>	<b>3,762</b>	<b>3,442</b>	<b>320</b>
<b>DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT</b>				
Personal Services	3,339	3,363	3,052	311
Operating Expenses	394	399	390	9
Appropriation	6,374	6,399	6,104	295
<b>TOTAL</b>	<b>10,107</b>	<b>10,161</b>	<b>9,546</b>	<b>615</b>
<b>LEGAL SERVICES PROGRAM</b>				
Personal Services	4,466	4,388	4,388	0
Operating Expenses	598	728	728	0
<b>TOTAL</b>	<b>5,064</b>	<b>5,116</b>	<b>5,116</b>	<b>0</b>
<b>CRIMINAL INVESTIGATION</b>				
Personal Services	4,619	4,665	4,665	0
Operating Expenses	1,470	1,478	1,478	0
<b>TOTAL</b>	<b>6,089</b>	<b>6,143</b>	<b>6,143</b>	<b>0</b>
<b>LAW ENFORCEMENT TRAINING</b>				
Personal Services	0	0	0	0
Operating Expenses	498	502	498	4
<b>TOTAL</b>	<b>498</b>	<b>502</b>	<b>498</b>	<b>4</b>
<b>DEPARTMENT TOTAL, ATTORNEY GENERAL</b>				
Personal Services	9,085	9,053	9,053	0
Operating Expenses	2,566	2,708	2,704	4
<b>TOTAL</b>	<b>11,651</b>	<b>11,761</b>	<b>11,757</b>	<b>4</b>
<b>ADMINISTRATION OF SCHOOL AND PUBLIC LANDS</b>				
Personal Services	416	421	416	5
Operating Expenses	365	365	197	168
<b>TOTAL</b>	<b>781</b>	<b>786</b>	<b>613</b>	<b>173</b>
<b>DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS</b>				
Personal Services	416	421	416	5
Operating Expenses	365	365	197	168
<b>TOTAL</b>	<b>781</b>	<b>786</b>	<b>613</b>	<b>173</b>
<b>SECRETARY OF STATE</b>				
Personal Services	673	683	683	0
Operating Expenses	383	584	388	196
<b>TOTAL</b>	<b>1,056</b>	<b>1,267</b>	<b>1,071</b>	<b>196</b>
<b>DEPARTMENT TOTAL, SECRETARY OF STATE</b>				
Personal Services	673	683	683	0
Operating Expenses	383	584	388	196
<b>TOTAL</b>	<b>1,056</b>	<b>1,267</b>	<b>1,071</b>	<b>196</b>

**STATE OF SOUTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>TREASURY MANAGEMENT</b>				
Personal Services	\$ 395	\$ 400	\$ 389	\$ 11
Operating Expenses	147	148	123	25
<b>TOTAL</b>	<b>542</b>	<b>548</b>	<b>512</b>	<b>36</b>
<b>DEPARTMENT TOTAL, STATE TREASURER</b>				
Personal Services	395	400	389	11
Operating Expenses	147	148	123	25
<b>TOTAL</b>	<b>542</b>	<b>548</b>	<b>512</b>	<b>36</b>
<b>STATE AUDITOR</b>				
Personal Services	1,137	1,151	1,111	40
Operating Expenses	151	152	141	11
<b>TOTAL</b>	<b>1,288</b>	<b>1,303</b>	<b>1,252</b>	<b>51</b>
<b>DEPARTMENT TOTAL, STATE AUDITOR</b>				
Personal Services	1,137	1,151	1,111	40
Operating Expenses	151	152	141	11
<b>TOTAL</b>	<b>1,288</b>	<b>1,303</b>	<b>1,252</b>	<b>51</b>
<b>STATE TOTAL</b>				
Personal Services	385,176	391,096	388,595	2,501
Operating Expenses	1,229,357	1,235,150	1,199,662	35,488
Appropriation	6,374	6,399	6,104	295
<b>TOTAL CHARGES TO APPROPRIATION</b>	<b>\$ 1,620,907</b>	<b>\$ 1,632,645</b>	<b>\$ 1,594,361</b>	<b>\$ 38,284</b>
<b>NON-BUDGETED OUTFLOWS</b>				
Transfer to Budget Reserve Fund	\$ 0	\$ 0	\$ 7,943	\$ (7,943)
<b>TOTAL NON-BUDGETED OUTFLOWS</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,943</b>	<b>\$ (7,943)</b>
<b>CHANGE IN BUDGETARY FUND BALANCE</b>	<b>\$ (23,028)</b>	<b>\$ (23,046)</b>	<b>\$ 13,435</b>	<b>\$ 36,481</b>
<b>BUDGETARY FUND BALANCE JULY 1, 2017</b>	<b>32,422</b>	<b>32,422</b>	<b>32,422</b>	<b>0</b>
<b>BUDGETARY FUND BALANCE JUNE 30, 2018</b>	<b>\$ 9,394</b>	<b>\$ 9,376</b>	<b>\$ 45,857</b>	<b>\$ 36,481</b>

The notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION FUND  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>CHARGES TO APPROPRIATIONS (outflows)</b>				
<b>GENERAL OPERATIONS</b>				
Personal Services	\$ 70,589	\$ 71,424	\$ 68,800	\$ 2,624
Operating Expenses	136,794	137,057	108,206	28,851
<b>TOTAL</b>	<b>207,383</b>	<b>208,481</b>	<b>177,006</b>	<b>31,475</b>
<b>CONTRACT CONSTRUCTION INFORMATIONAL</b>				
Personal Services	0	0	0	0
Operating Expenses	489,495	489,495	422,153	67,342
<b>TOTAL</b>	<b>489,495</b>	<b>489,495</b>	<b>422,153</b>	<b>67,342</b>
<b>ENFORCEMENT</b>				
Personal Services	14,747	14,678	14,264	414
Operating Expenses	5,071	7,074	7,063	11
<b>TOTAL</b>	<b>19,818</b>	<b>21,752</b>	<b>21,327</b>	<b>425</b>
<b>FUND TOTAL, TRANSPORTATION</b>				
Personal Services	85,336	86,102	83,064	3,038
Operating Expenses	631,360	633,626	537,422	96,204
<b>TOTAL CHARGES TO APPROPRIATION</b>	<b>\$ 716,696</b>	<b>\$ 719,728</b>	<b>\$ 620,486</b>	<b>\$ 99,242</b>

The notes to Required Supplementary Information are an integral part of this schedule.



**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FEDERAL FUND  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>CHARGES TO APPROPRIATIONS (outflows)</b>				
<b>ADMINISTRATION</b>				
Personal Services	\$ 5,679	\$ 5,752	\$ 4,336	\$ 1,416
Operating Expenses	18,508	18,762	11,886	6,876
<b>TOTAL</b>	<b>24,187</b>	<b>24,514</b>	<b>16,222</b>	<b>8,292</b>
<b>ECONOMIC ASSISTANCE</b>				
Personal Services	11,881	12,000	9,796	2,204
Operating Expenses	48,642	48,468	38,691	9,777
<b>TOTAL</b>	<b>60,523</b>	<b>60,468</b>	<b>48,487</b>	<b>11,981</b>
<b>MEDICAL AND ADULT SERVICES</b>				
Personal Services	2,554	2,584	2,285	299
Operating Expenses	397,612	390,557	348,449	42,108
<b>TOTAL</b>	<b>400,166</b>	<b>393,141</b>	<b>350,734</b>	<b>42,407</b>
<b>CHILDREN'S SERVICES</b>				
Personal Services	9,957	10,109	8,335	1,774
Operating Expenses	37,848	43,252	41,306	1,946
<b>TOTAL</b>	<b>47,805</b>	<b>53,361</b>	<b>49,641</b>	<b>3,720</b>
<b>BEHAVIORAL HEALTH</b>				
Personal Services	9,471	9,573	7,404	2,169
Operating Expenses	27,872	28,351	23,417	4,934
<b>TOTAL</b>	<b>37,343</b>	<b>37,924</b>	<b>30,821</b>	<b>7,103</b>
<b>DEPARTMENT TOTAL, SOCIAL SERVICES</b>				
Personal Services	<b>39,542</b>	<b>40,018</b>	<b>32,156</b>	<b>7,862</b>
Operating Expenses	<b>530,482</b>	<b>529,390</b>	<b>463,749</b>	<b>65,641</b>
<b>TOTAL CHARGES TO APPROPRIATION</b>	<b>\$ 570,024</b>	<b>\$ 569,408</b>	<b>\$ 495,905</b>	<b>\$ 73,503</b>

The notes to Required Supplementary Information are an integral part of this schedule.

**STATE OF SOUTH DAKOTA  
BUDGETARY COMPARISON SCHEDULE  
BUDGET-TO-GAAP RECONCILIATION  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>General Fund</u>		
<b>Inflows of Resources:</b>			
<b>Actual amounts (budgetary basis) "Amounts Available for Appropriation" from the budgetary comparison schedule</b>	<b>\$ 1,615,739</b>		
<b>Differences-budget to GAAP:</b>			
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(121,271)		
To adjust revenues for accruals and other year-end entries such as the recording tax receivables, shared revenue receipts, and reclassification of lottery revenues	(55,004)		
To adjust revenues for statutorily created funds that do not qualify as special revenue funds	20,726		
Prior year carryover and encumbered amounts are inflows of budgetary resources but are not revenues for financial reporting purposes	(7,779)		
Other inflows of budgetary resources but are not revenues for financial reporting purposes	(4,547)		
Unexpended carryovers, specials, and deferred maintenances are inflows of budgetary resources but are not revenues for financial reporting purposes	(180)		
Sales of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(110)		
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<b><u>\$ 1,447,574</u></b>		
	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
<b>Uses/Outflows of Resources:</b>			
<b>Actual amounts (budgetary basis) "Total Charges to Appropriations" from the budgetary comparison schedule</b>	<b>\$ 1,594,361</b>	<b>\$ 620,486</b>	<b>\$ 495,905</b>
<b>Differences-budget to GAAP:</b>			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(17,441)	(17,672)	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,523)		
To adjust expenditures/expenses for accruals and other year-end entries such as the recording of food stamps and shared revenue distribution	34,496	(9,857)	125,479
To adjust expenditures/expenses for statutorily created funds that do not qualify as special revenue funds	36,475		
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<b><u>\$ 1,644,368</u></b>	<b><u>\$ 592,957</u></b>	<b><u>\$ 621,384</u></b>

The notes to Required Supplementary Information are an integral part of this schedule.

## ***Required Supplementary Information***

### ***Notes to Required Supplementary Information - Budgetary Reporting***

The Budgetary Comparison Schedule is comprised of three sections: 1) Resources Available for Appropriation (Resources), 2) Charges to Appropriations and 3) Non-Budgeted Outflows. The first section presents comparisons of the legally adopted original estimated resources, the revised adopted estimated resources, and actual amounts for each category of resources for the State of South Dakota on a budgetary basis. The General Fund is the only fund that has legally adopted estimated resources by the Legislature. Therefore, the Transportation and Social Services Federal Funds do not have a resource section of their corresponding Budgetary Comparison Schedules. The original adopted estimated resources are defined as the estimated resources for the next fiscal year as referenced in SDCL 4-7-10(2), as adopted by the Legislature. The prior year carryover and encumbered amount is adopted before the current fiscal year and is carried over to subsequent years based on the expiration date. The revised adopted estimated resources are defined as the estimated resources in the current fiscal year as referenced in SDCL 4-7-10(2). The actual amounts are comprised of actual collections as of the close of the fiscal year.

The second section presents comparisons of the original charges to appropriations budget and legally revised final charges to appropriations budget, with actual amounts for each program of the State 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 Budgetary 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, 2018, there were no over-expenditures by any State department. Informational budget units, when combined with specific continuous or annual appropriation designation, are able to over-spend the expenditure authority.

The original charges to appropriations 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. The amount appropriated for employee compensation in the General Bill is reported as distributed to the departments and programs. Any of these adjustments may change the format, terminology, or classification of a Budgetary 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 third section presents non-budgeted outflows which account for items that are outflows but not charges to appropriations. An example of a non-budgeted outflow includes, statutorily required year-end transfers to the General Fund Budget Reserve Fund.

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, 2018 has also been included as Required Supplementary Information.

**STATE OF SOUTH DAKOTA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**July 1, 2016 to June 30, 2017 Measurement Date**

Last Ten Fiscal Years \*

(Dollars Expressed in Thousands)

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
State's proportion of net pension liability (asset)	21.5782463%	22.2682036%	22.4497754%	22.0687777%
State's proportionate share of the net pension liability (asset)	\$ (1,958)	\$ 75,220	\$ (95,216)	\$ (158,996)
State's covered payroll	\$ 409,773	\$ 410,337	\$ 389,949	\$ 367,417
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.48%)	(18.33%)	(24.42%)	(43.27%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	96.90%	104.10%	107.29%

The notes to Required Supplementary Information are an integral part of this schedule.

\* **Note:** This schedule is intended to present information for the last 10 years. However, until a full 10-year trend is compiled, information is presented for the years in which information is available.

**STATE OF SOUTH DAKOTA**  
**SCHEDULE OF CONTRIBUTIONS**  
**SOUTH DAKOTA RETIREMENT SYSTEM**  
**June 30, 2018**

Last Ten Fiscal Years \*

(Dollars Expressed in Thousands)

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
Contractually required contribution	\$ 26,231	\$ 26,313	\$ 25,406	\$ 24,588
Contributions in relation to the contractually required contribution	(26,231)	(26,313)	(25,406)	(24,588)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
State's covered payroll	\$ 409,773	\$ 410,337	\$ 395,647	\$ 389,949
Contributions as a percentage of covered payroll	6.40%	6.41%	6.42%	6.31%

The notes to Required Supplementary Information are an integral part of this schedule.

\* **Note:** This schedule is intended to present information for the last 10 years. However, until a full 10-year trend is compiled, information is presented for the years in which information is available.

***Required Supplementary Information***  
***Notes to Required Supplementary Information – Schedule of***  
***Proportionate Share of Net Pension Liability (Asset) and***  
***Schedule of Contributions***

**Changes of Benefit Terms:**

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition exists this year and limits the maximum COLA payable in 2018 to 1.89%.

Legislation was also enacted in 2017 to:

- Modify the definition of Compensation to clarify included and excluded items,
- Expand the caps on increases in Compensation considered in Final Average Compensation,
- Extend the Final Average Compensation period from the current three years to five years for Foundation Members after a phase-in period, and
- Limit Compensation to the Internal Revenue Code Section 401(a)(17) limits for all Members, regardless of date of entry into SDRS.

**Changes of Assumptions:**

As a result of an experience analysis covering the period from July 1, 2011 to June 30, 2016, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2017 Actuarial Valuation. The changes to economic assumptions were very significant, and included reducing the inflation assumption to 2.25%, reducing the investment return assumption to 6.5%, and reducing the payroll growth assumption to 3.00%. The demographic assumption changes were less impactful. Among those changes were new mortality assumptions, updated retirement, termination, and disability rates, and updated salary increase assumptions.

The Actuarial Asset Valuation Method was changed to the Fair Value of Assets. In addition, the Funding Method was changed from the Frozen Entry Age Actuarial Cost Method to the Entry Age Actuarial Cost Method, which was in use for GASB Statement Nos. 67 and 68 purposes.



## ***COMBINING FINANCIAL STATEMENTS***

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

- Combining Balance Sheet – Nonmajor Governmental Funds – By Type
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds – By Type
- Combining Balance Sheet – Nonmajor Special Revenue Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds
- Combining Balance Sheet – Nonmajor Debt Service Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds
- Combining Statement of Net Position – Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds
- Combining Statement of Cash Flows – Nonmajor Enterprise Funds
- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- Combining Statement of Cash Flows – Internal Service Funds
- Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds
- Combining Statement of Fiduciary Assets and Liabilities – Agency Funds
- Combining Statement of Changes in Assets and Liabilities – Agency Funds
- Combining Statement of Net Position – Component Units
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Component Units
- Statement of Cash Flows – Higher Education
- Combining Statement of Net Position – Nonmajor Component Units
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Component Units

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE  
June 30, 2018  
(Expressed in Thousands)**

<b>Assets</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 274,038	\$ 5,075	\$ 44,064	\$ 2	\$ 323,179
Restricted Cash		1			1
Investments	154,217	776		55,503	210,496
Restricted Investments		19,760			19,760
Receivables from:					
Taxes, net	2,973				2,973
Interest and Dividends	1,324	38	207	100	1,669
Other Funds	4,644				4,644
Component Units	6				6
Other Governments	92,228				92,228
Loans and Notes, net	67,198			2,854	70,052
Other, net	15,631	10,766		7	26,404
Inventory	2,626				2,626
Advances to Component Units	1,337				1,337
Other Assets	1,500				1,500
<b>Total Assets</b>	<b>\$ 617,722</b>	<b>\$ 36,416</b>	<b>\$ 44,271</b>	<b>\$ 58,466</b>	<b>\$ 756,875</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other Liabilities	\$ 44,394	\$	\$ 2,145	\$	\$ 46,539
Payable to:					
Other Funds	31,872		35	1,847	33,754
Component Units	1,210		16		1,226
Other Governments	61,798				61,798
Claims, Judgments, and Compensated Absences	164				164
Unearned Revenue	16,160				16,160
<b>Total Liabilities</b>	<b>155,598</b>	<b>0</b>	<b>2,196</b>	<b>1,847</b>	<b>159,641</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue	12,643	10,766			23,409
<b>Total Deferred Inflows of Resources</b>	<b>12,643</b>	<b>10,766</b>	<b>0</b>	<b>0</b>	<b>23,409</b>
<b>Fund Balances:</b>					
Nonspendable	88,920			57,004	145,924
Restricted	319,134	25,650	42,075		386,859
Committed	36,863				36,863
Assigned	15,937				15,937
Unassigned	(11,373)			(385)	(11,758)
<b>Total Fund Balances</b>	<b>449,481</b>	<b>25,650</b>	<b>42,075</b>	<b>56,619</b>	<b>573,825</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 617,722</b>	<b>\$ 36,416</b>	<b>\$ 44,271</b>	<b>\$ 58,466</b>	<b>\$ 756,875</b>



**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
<b>Revenue:</b>					
Taxes	\$ 104,331	\$	\$	\$	\$ 104,331
Licenses, Permits, and Fees	281,314				281,314
Fines, Forfeits, and Penalties	12,654				12,654
Use of Money and Property	15,767	257	29	5,584	21,637
Sales and Services	21,392				21,392
Administering Programs	584,049				584,049
Tobacco Settlement		46,000			46,000
Other Revenue	25,852			3,363	29,215
<b>Total Revenue</b>	<b>1,045,359</b>	<b>46,257</b>	<b>29</b>	<b>8,947</b>	<b>1,100,592</b>
<b>Expenditures:</b>					
Current:					
General Government	42,673	286		2,232	45,191
Education	186,307				186,307
Health, Human, and Social Services	345,681				345,681
Law, Justice, Public Protection, and Regulation	89,515				89,515
Agriculture and Natural Resources	144,443				144,443
Economic Resources	18,422				18,422
Transportation	2,672				2,672
State Shared Revenue Paid to Other Governments	144,423				144,423
Capital Outlay			8,182		8,182
Debt Service:					
Principal		14,962			14,962
Interest		7,563			7,563
Bond Issuance Costs		5	62		67
<b>Total Expenditures</b>	<b>974,136</b>	<b>22,816</b>	<b>8,244</b>	<b>2,232</b>	<b>1,007,428</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>71,223</b>	<b>23,441</b>	<b>(8,215)</b>	<b>6,715</b>	<b>93,164</b>
<b>Other Financing Sources (Uses):</b>					
Capital Leases	1,322				1,322
Proceeds from Sale of Capital Assets	445				445
Transfers In	24,086	6,811			30,897
Transfers Out	(96,607)	(30,785)	(37)	(783)	(128,212)
<b>Total Other Financing Sources (Uses)</b>	<b>(70,754)</b>	<b>(23,974)</b>	<b>(37)</b>	<b>(783)</b>	<b>(95,548)</b>
<b>Net Change in Fund Balances</b>	<b>469</b>	<b>(533)</b>	<b>(8,252)</b>	<b>5,932</b>	<b>(2,384)</b>
Fund Balances at Beginning of Year, as restated	449,012	26,183	50,327	50,687	576,209
<b>Fund Balances at End of Year</b>	<b>\$ 449,481</b>	<b>\$ 25,650</b>	<b>\$ 42,075</b>	<b>\$ 56,619</b>	<b>\$ 573,825</b>

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2018  
(Expressed in Thousands)**

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
<b>Assets</b>					
Cash and Cash Equivalents	\$	\$	\$ 2,527	\$ 502	\$ 7,203
Investments					
Receivables from:					
Taxes, net					
Interest and Dividends			2		
Other Funds		404	348	142	
Component Units					
Other Governments	24,822	22,007	1,548	2,717	577
Loans and Notes, net					8,748
Other, net			7	25	
Inventory	761	117	46	1,575	
Advances to Component Units					
Other Assets	16	8			4
<b>Total Assets</b>	<b>\$ 25,599</b>	<b>\$ 22,536</b>	<b>\$ 4,478</b>	<b>\$ 4,961</b>	<b>\$ 16,532</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other Liabilities	\$ 2,521	\$ 18,077	\$ 1,538	\$ 2,040	\$ 30
Payable to:					
Other Funds	164	2,528	298	285	17
Component Units	420	39		74	
Other Governments	21,004	192	27	116	533
Claims, Judgments, and Compensated Absences	24	9	29		
Unearned Revenue	1,351		170	1,127	
<b>Total Liabilities</b>	<b>25,484</b>	<b>20,845</b>	<b>2,062</b>	<b>3,642</b>	<b>580</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue					
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances:</b>					
Nonspendable	16	124	46	1,575	4
Restricted	99				15,948
Committed					
Assigned		1,567	2,370		
Unassigned				(256)	
<b>Total Fund Balances</b>	<b>115</b>	<b>1,691</b>	<b>2,416</b>	<b>1,319</b>	<b>15,952</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 25,599</b>	<b>\$ 22,536</b>	<b>\$ 4,478</b>	<b>\$ 4,961</b>	<b>\$ 16,532</b>

<b>Public Safety Emergency Management</b>	<b>Natural Resources Federal</b>	<b>Game, Fish, and Parks Federal</b>	<b>Game and Fish</b>	<b>Parks and Recreation</b>	<b>Securities and Insurance</b>	<b>Health</b>	<b>Gaming Commission</b>
\$	\$	\$	\$ 14,225	\$ 10,903	\$ 792	\$ 2,506	\$ 6,653
							744
			65	15	26		6
9			31	21		101	
						6	
2,233	1,363	2,762		241		96	
99			718	582		4,255	
						69	
						77	
<b>\$ 2,341</b>	<b>\$ 1,363</b>	<b>\$ 2,762</b>	<b>\$ 15,039</b>	<b>\$ 11,762</b>	<b>\$ 818</b>	<b>\$ 7,110</b>	<b>\$ 7,403</b>
\$ 170	\$ 376	\$ 956	\$ 1,851	\$ 2,665	\$ 145	\$ 403	\$ 68
644	814	707	439	293	22	12	724
		363	7			6	
1,585	140	558	105	5		35	728
			11	28	1		
		178					5,819
<b>2,399</b>	<b>1,330</b>	<b>2,762</b>	<b>2,413</b>	<b>2,991</b>	<b>168</b>	<b>456</b>	<b>7,339</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	2,945	<b>0</b>
						2,945	
			12,626	8,771		145	
						2,269	
					182		64
	33				468	1,295	
(58)							
<b>(58)</b>	<b>33</b>	<b>0</b>	<b>12,626</b>	<b>8,771</b>	<b>650</b>	<b>3,709</b>	<b>64</b>
<b>\$ 2,341</b>	<b>\$ 1,363</b>	<b>\$ 2,762</b>	<b>\$ 15,039</b>	<b>\$ 11,762</b>	<b>\$ 818</b>	<b>\$ 7,110</b>	<b>\$ 7,403</b>

Continued on next page

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (continued)  
June 30, 2018  
(Expressed in Thousands)**

<b>Assets</b>	<b>Motor Vehicle</b>	<b>Revenue</b>	<b>Future</b>	<b>Vocational Education Facilities</b>	<b>Petroleum Release Compensation</b>
Cash and Cash Equivalents	\$ 24,849	\$ 724	\$ 34,278	\$ 1,757	\$ 2,313
Investments				6,695	
Receivables from:					
Taxes, net					310
Interest and Dividends	65	7	115	1	12
Other Funds			2		
Component Units					
Other Governments	10,776	424		181	
Loans and Notes, net					
Other, net	4,540		366		
Inventory					
Advances to Component Units					
Other Assets					
<b>Total Assets</b>	<b>\$ 40,230</b>	<b>\$ 1,155</b>	<b>\$ 34,761</b>	<b>\$ 8,634</b>	<b>\$ 2,635</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable and Other Liabilities	\$ 542	\$ 560	\$ 338	\$	\$ 62
Payable to:					
Other Funds	1,935	257			6
Component Units			200		
Other Governments	31,458		854		
Claims, Judgments, and Compensated Absences	18	8			
Unearned Revenue					
<b>Total Liabilities</b>	<b>33,953</b>	<b>825</b>	<b>1,392</b>	<b>0</b>	<b>68</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue			353		
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>353</b>	<b>0</b>	<b>0</b>
<b>Fund Balances:</b>					
Nonspendable					
Restricted			33,016	6,907	
Committed	6,277	997			2,567
Assigned				1,727	
Unassigned		(667)			
<b>Total Fund Balances</b>	<b>6,277</b>	<b>330</b>	<b>33,016</b>	<b>8,634</b>	<b>2,567</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 40,230</b>	<b>\$ 1,155</b>	<b>\$ 34,761</b>	<b>\$ 8,634</b>	<b>\$ 2,635</b>

<b>Maintenance and Repair</b>	<b>Water and Environment</b>	<b>Energy Conservation</b>	<b>Military Federal</b>	<b>Health Care Trust</b>	<b>Railroad Trust</b>	<b>Other</b>	<b>Total</b>
\$ 5,119	\$ 24,828	\$ 3,129	\$	\$ 9	\$ 7,230	\$ 124,491	\$ 274,038
				146,862		660	154,217
	545					1,374	2,973
21	114	25		264	188	398	1,324
871	893					1,822	4,644
	133		4,573			17,775	92,228
	20,909	8,706			23,002	5,833	67,198
					298	4,741	15,631
	1,337					58	2,626
						1,395	1,337
<b>\$ 6,011</b>	<b>\$ 48,759</b>	<b>\$ 11,860</b>	<b>\$ 4,573</b>	<b>\$ 147,135</b>	<b>\$ 30,718</b>	<b>\$ 158,547</b>	<b>\$ 617,722</b>
\$ 657	\$ 174	\$ 3	\$ 1,150	\$	\$ 9	\$ 10,059	\$ 44,394
6			3,014	5,415		14,292	31,872
					45	56	1,210
	879	3	362			3,214	61,798
			5			31	164
<b>663</b>	<b>1,053</b>	<b>6</b>	<b>4,531</b>	<b>5,415</b>	<b>54</b>	<b>35,167</b>	<b>155,598</b>
	31					9,314	12,643
<b>0</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,314</b>	<b>12,643</b>
				85,631		1,379	88,920
	47,675	11,631		56,089	30,302	93,801	319,134
2,824		223			407	23,322	36,863
2,524			42			5,911	15,937
<b>5,348</b>	<b>47,675</b>	<b>11,854</b>	<b>42</b>	<b>141,720</b>	<b>30,664</b>	<b>114,066</b>	<b>449,481</b>
					(45)	(10,347)	(11,373)
<b>\$ 6,011</b>	<b>\$ 48,759</b>	<b>\$ 11,860</b>	<b>\$ 4,573</b>	<b>\$ 147,135</b>	<b>\$ 30,718</b>	<b>\$ 158,547</b>	<b>\$ 617,722</b>

**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, 2018  
(Expressed in Thousands)**

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
<b>Revenue:</b>					
Taxes	\$	\$	\$ 598	\$	\$
Licenses, Permits, and Fees		112	470		
Fines, Forfeits, and Penalties				786	
Use of Money and Property		36	2		157
Sales and Services	13	1,278			38
Administering Programs	167,956	229,405	22,963	52,279	5,386
Other Revenue	78	41	5	4	
<b>Total Revenue</b>	<b>168,047</b>	<b>230,872</b>	<b>24,038</b>	<b>53,069</b>	<b>5,581</b>
<b>Expenditures:</b>					
General Government					
Education	168,168				
Health, Human, and Social Services		230,739	26,035	53,741	
Law, Justice, Public Protection, and Regulation			155		
Agriculture and Natural Resources					
Economic Resources					5,794
Transportation					
State Shared Revenue Paid to Other Governments					
<b>Total Expenditures</b>	<b>168,168</b>	<b>230,739</b>	<b>26,190</b>	<b>53,741</b>	<b>5,794</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(121)</b>	<b>133</b>	<b>(2,152)</b>	<b>(672)</b>	<b>(213)</b>
<b>Other Financing Sources (Uses):</b>					
Capital Leases					
Proceeds from Sale of Capital Assets		6	4		
Transfers In		350	2,811	226	
Transfers Out		(1,176)			
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(820)</b>	<b>2,815</b>	<b>226</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(121)</b>	<b>(687)</b>	<b>663</b>	<b>(446)</b>	<b>(213)</b>
Fund Balances at Beginning of Year, as restated	236	2,378	1,753	1,765	16,165
<b>Fund Balances at End of Year</b>	<b>\$ 115</b>	<b>\$ 1,691</b>	<b>\$ 2,416</b>	<b>\$ 1,319</b>	<b>\$ 15,952</b>

<b>Public Safety Emergency Management</b>	<b>Natural Resources Federal</b>	<b>Game, Fish, and Parks Federal</b>	<b>Game and Fish</b>	<b>Parks and Recreation</b>	<b>Securities and Insurance</b>	<b>Health</b>	<b>Gaming Commission</b>
\$	\$	\$	\$	\$	\$	\$	\$
			27,710	1,990 20,705	31,166 27,635 48	1,597	9,450 6,371 76
			282	2,940	14		4
			45	5	15	1,818	
11,657	7,232	20,097	5	1,300			
207		77	548	94		6,432	1
<b>11,864</b>	<b>7,232</b>	<b>20,174</b>	<b>28,590</b>	<b>27,034</b>	<b>58,878</b>	<b>9,847</b>	<b>15,902</b>
						9,847	
12,488					2,884		1,406
	7,336	19,054	31,231	24,100			
							8,480
<b>12,488</b>	<b>7,336</b>	<b>19,054</b>	<b>31,231</b>	<b>24,100</b>	<b>2,884</b>	<b>9,847</b>	<b>9,886</b>
(624)	(104)	1,120	(2,641)	2,934	55,994	0	6,016
7			214	75			
	99	50	1,980	18			
		(1,170)	(2,006)	(3,696)	(56,007)	(923)	(6,146)
<b>7</b>	<b>99</b>	<b>(1,120)</b>	<b>188</b>	<b>(3,603)</b>	<b>(56,007)</b>	<b>(923)</b>	<b>(6,146)</b>
(617)	(5)		(2,453)	(669)	(13)	(923)	(130)
559	38		15,079	9,440	663	4,632	194
<b>\$ (58)</b>	<b>\$ 33</b>	<b>\$ 0</b>	<b>\$ 12,626</b>	<b>\$ 8,771</b>	<b>\$ 650</b>	<b>\$ 3,709</b>	<b>\$ 64</b>

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, 2018  
(Expressed in Thousands)**

	<b>Motor Vehicle</b>	<b>Revenue</b>	<b>Future</b>	<b>Vocational Education Facilities</b>	<b>Petroleum Release Compensation</b>
<b>Revenue:</b>					
Taxes	\$ 4,280	\$ 10,342	\$ 17,415	\$	\$ 1,959
Licenses, Permits, and Fees	136,558	4,148		6,088	
Fines, Forfeits, and Penalties					
Use of Money and Property	(95)	1	63	62	6
Sales and Services	1,952				
Administering Programs					
Other Revenue	57		54	578	
<b>Total Revenue</b>	<b>142,752</b>	<b>14,491</b>	<b>17,532</b>	<b>6,728</b>	<b>1,965</b>
<b>Expenditures:</b>					
General Government	7,524	12,015			
Education				14,473	
Health, Human, and Social Services					
Law, Justice, Public Protection, and Regulation	8,647				
Agriculture and Natural Resources					965
Economic Resources			10,677		
Transportation					
State Shared Revenue Paid to					
Other Governments	124,328	2,307			
<b>Total Expenditures</b>	<b>140,499</b>	<b>14,322</b>	<b>10,677</b>	<b>14,473</b>	<b>965</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>2,253</b>	<b>169</b>	<b>6,855</b>	<b>(7,745)</b>	<b>1,000</b>
<b>Other Financing Sources (Uses):</b>					
Capital Leases				1,322	
Proceeds from Sale of Capital Assets					
Transfers In	1,033			2,836	
Transfers Out	(2,196)		(44)		(1,300)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,163)</b>	<b>0</b>	<b>(44)</b>	<b>4,158</b>	<b>(1,300)</b>
<b>Net Change in Fund Balances</b>	<b>1,090</b>	<b>169</b>	<b>6,811</b>	<b>(3,587)</b>	<b>(300)</b>
Fund Balances at Beginning of Year, as restated	5,187	161	26,205	12,221	2,867
<b>Fund Balances at End of Year</b>	<b>\$ 6,277</b>	<b>\$ 330</b>	<b>\$ 33,016</b>	<b>\$ 8,634</b>	<b>\$ 2,567</b>



<b>Maintenance and Repair</b>	<b>Water and Environment</b>	<b>Energy Conservation</b>	<b>Military Federal</b>	<b>Health Care Trust</b>	<b>Railroad Trust</b>	<b>Other</b>	<b>Total</b>
\$	\$ 4,941 1,782	\$	\$	\$	\$ 333	\$ 22,190 47,805 11,744	\$ 104,331 281,314 12,654
13	384	13	45	9,788	1,200	852	15,767
3,243						12,985	21,392
261			18,998			46,510	584,049
					136	17,540	25,852
<b>3,517</b>	<b>7,107</b>	<b>13</b>	<b>19,043</b>	<b>9,788</b>	<b>1,669</b>	<b>159,626</b>	<b>1,045,359</b>
6,588				472		16,074 3,666	42,673 186,307
						25,319	345,681
	11,447		19,043			44,892	89,515
		830				50,310	144,443
						1,121	18,422
					586	2,086	2,672
						9,308	144,423
<b>6,588</b>	<b>11,447</b>	<b>830</b>	<b>19,043</b>	<b>472</b>	<b>586</b>	<b>152,776</b>	<b>974,136</b>
(3,071)	(4,340)	(817)	0	9,316	1,083	6,850	71,223
							1,322
					91	48	445
546	4,914					9,223	24,086
	(600)			(5,415)	(150)	(15,778)	(96,607)
<b>546</b>	<b>4,314</b>	<b>0</b>	<b>0</b>	<b>(5,415)</b>	<b>(59)</b>	<b>(6,507)</b>	<b>(70,754)</b>
(2,525)	(26)	(817)		3,901	1,024	343	469
7,873	47,701	12,671	42	137,819	29,640	113,723	449,012
<b>\$ 5,348</b>	<b>\$ 47,675</b>	<b>\$ 11,854</b>	<b>\$ 42</b>	<b>\$ 141,720</b>	<b>\$ 30,664</b>	<b>\$ 114,066</b>	<b>\$ 449,481</b>

**STATE OF SOUTH DAKOTA  
COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
June 30, 2018  
(Expressed in Thousands)**

<b>Assets</b>	<b>Building Authority</b>	<b>Tobacco Securitization</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 4,969	\$ 106	\$ 5,075
Restricted Cash		1	1
Investments		776	776
Restricted Investments		19,760	19,760
Receivables from:			
Interest and Dividends		38	38
Other, net		10,766	10,766
<b>Total Assets</b>	<b>\$ 4,969</b>	<b>\$ 31,447</b>	<b>\$ 36,416</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	\$	\$ 10,766	\$ 10,766
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>10,766</b>	<b>10,766</b>
<b>Fund Balances:</b>			
Restricted	4,969	20,681	25,650
<b>Total Fund Balances</b>	<b>4,969</b>	<b>20,681</b>	<b>25,650</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,969</b>	<b>\$ 31,447</b>	<b>\$ 36,416</b>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Building Authority</u>	<u>Tobacco Securitization</u>	<u>Total</u>
<b>Revenue:</b>			
Use of Money and Property	\$	\$ 257	\$ 257
Tobacco Settlement		46,000	46,000
<b>Total Revenue</b>	<u>0</u>	<u>46,257</u>	<u>46,257</u>
<b>Expenditures:</b>			
Current:			
General Government	168	118	286
Debt Service:			
Principal	3,462	11,500	14,962
Interest	3,532	4,031	7,563
Bond Issuance Costs	5		5
<b>Total Expenditures</b>	<u>7,167</u>	<u>15,649</u>	<u>22,816</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(7,167)</b>	<b>30,608</b>	<b>23,441</b>
<b>Other Financing Sources (Uses):</b>			
Transfers In	6,811		6,811
Transfers Out	(97)	(30,688)	(30,785)
<b>Total Other Financing Sources (Uses)</b>	<u>6,714</u>	<u>(30,688)</u>	<u>(23,974)</u>
<b>Net Change in Fund Balances</b>	<b>(453)</b>	<b>(80)</b>	<b>(533)</b>
Fund Balances at Beginning of Year	5,422	20,761	26,183
<b>Fund Balances at End of Year</b>	<u><b>\$ 4,969</b></u>	<u><b>\$ 20,681</b></u>	<u><b>\$ 25,650</b></u>

STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
June 30, 2018  
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 75,260	\$ 120,255	\$ 505	\$ 1,927	\$ 820
Receivables:					
Interest and Dividends	334		5	2	3
Other Funds		57			
Component Units					
Other Governments		170			67
Loans and Notes, net	8,827				
Other, net	7	1,374		38	8
Inventory					1,179
Other Assets					
<b>Total Current Assets</b>	<b>84,428</b>	<b>121,856</b>	<b>510</b>	<b>1,967</b>	<b>2,077</b>
<b>Restricted Assets:</b>					
Net Pension Asset	2			2	2
<b>Capital Assets:</b>					
Land and Other Non-depreciable Assets				192	103
Property, Plant, and Equipment	28			7,997	559
Accumulated Depreciation	(28)			(3,165)	(475)
Construction in Progress					
<b>Total Capital Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,024</b>	<b>187</b>
Other Noncurrent Assets	30,436				
<b>Total Assets</b>	<b>114,866</b>	<b>121,856</b>	<b>510</b>	<b>6,993</b>	<b>2,266</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflow Related to Pensions	163		9	192	198
<b>Total Deferred Outflows of Resources</b>	<b>163</b>	<b>0</b>	<b>9</b>	<b>192</b>	<b>198</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Liabilities	34		1	231	79
Payable to:					
Other Funds	8	76		17	4
Claims, Judgments, and Compensated Absences	13		1	27	54
Unearned Revenue				1,160	
<b>Total Current Liabilities</b>	<b>55</b>	<b>76</b>	<b>2</b>	<b>1,435</b>	<b>137</b>
<b>Noncurrent Liabilities:</b>					
Claims, Judgments, and Compensated Absences	11		1	24	48
<b>Total Noncurrent Liabilities</b>	<b>11</b>	<b>0</b>	<b>1</b>	<b>24</b>	<b>48</b>
<b>Total Liabilities</b>	<b>66</b>	<b>76</b>	<b>3</b>	<b>1,459</b>	<b>185</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflow Related to Pensions	30		1	34	36
<b>Total Deferred Inflows of Resources</b>	<b>30</b>	<b>0</b>	<b>1</b>	<b>34</b>	<b>36</b>
<b>Net Position</b>					
Net Investment in Capital Assets				5,024	186
Restricted for:					
Pensions	135		8	160	164
Other	1,978				
Unrestricted	112,820	121,780	507	508	1,893
<b>Total Net Position</b>	<b>\$ 114,933</b>	<b>\$ 121,780</b>	<b>\$ 515</b>	<b>\$ 5,692</b>	<b>\$ 2,243</b>

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>S.D. Trust Company Captive Insurance Co.</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 3,334	\$ 502	\$ 2,249	\$ 11,208	\$ 6,448	\$ 2,067	\$ 224,575
197	3	6	43	19	6	618
	166					223
	22					22
					2	239
493						9,320
	71		3		1	1,502
	790				57	2,026
	73					73
<u>4,024</u>	<u>1,627</u>	<u>2,255</u>	<u>11,254</u>	<u>6,467</u>	<u>2,133</u>	<u>238,598</u>
1	3		14	8	5	37
						295
18	2,185		115		516	11,418
(17)	(1,503)		(71)		(212)	(5,471)
					154	154
<u>1</u>	<u>682</u>	<u>0</u>	<u>44</u>	<u>0</u>	<u>458</u>	<u>6,396</u>
4,589						35,025
<u>8,615</u>	<u>2,312</u>	<u>2,255</u>	<u>11,312</u>	<u>6,475</u>	<u>2,596</u>	<u>280,056</u>
50	330		1,565	907	534	3,948
<u>50</u>	<u>330</u>	<u>0</u>	<u>1,565</u>	<u>907</u>	<u>534</u>	<u>3,948</u>
8	86	5	552	2,460	250	3,706
2	34		76	14	54	285
14	57		267	161	68	662
	8		778			1,946
<u>24</u>	<u>185</u>	<u>5</u>	<u>1,673</u>	<u>2,635</u>	<u>372</u>	<u>6,599</u>
12	50		212	142	60	560
<u>12</u>	<u>50</u>	<u>0</u>	<u>212</u>	<u>142</u>	<u>60</u>	<u>560</u>
<u>36</u>	<u>235</u>	<u>5</u>	<u>1,885</u>	<u>2,777</u>	<u>432</u>	<u>7,159</u>
9	59		280	161	95	705
<u>9</u>	<u>59</u>	<u>0</u>	<u>280</u>	<u>161</u>	<u>95</u>	<u>705</u>
1	682		44		457	6,394
42	274		1,299	754	444	3,280
						1,978
8,577	1,392	2,250	9,369	3,690	1,702	264,488
<u>\$ 8,620</u>	<u>\$ 2,348</u>	<u>\$ 2,250</u>	<u>\$ 10,712</u>	<u>\$ 4,444</u>	<u>\$ 2,603</u>	<u>\$ 276,140</u>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
<b>Operating Revenue:</b>					
Licenses, Permits, and Fees	\$	\$	\$	\$ 1,664	\$
Use of Money and Property	768			511	
Sales and Services	59			797	2,877
Administering Programs				75	
Assessments		33,166			
Other Revenue				366	
<b>Total Operating Revenue</b>	<b>827</b>	<b>33,166</b>	<b>0</b>	<b>3,413</b>	<b>2,877</b>
<b>Operating Expenses:</b>					
Personal Services and Benefits	153		10	930	504
Travel	5			11	5
Contractual Services	246			2,050	710
Supplies and Materials	22			497	1,675
Other	96			97	
Depreciation/Amortization				114	9
Insurance Claims		29,116	1,089		
<b>Total Operating Expenses</b>	<b>522</b>	<b>29,116</b>	<b>1,099</b>	<b>3,699</b>	<b>2,903</b>
<b>Operating Income (Loss)</b>	<b>305</b>	<b>4,050</b>	<b>(1,099)</b>	<b>(286)</b>	<b>(26)</b>
<b>Nonoperating Revenue (Expenses):</b>					
Gain on Disposal of Assets					
Interest Income	190	3,498	6		2
Other Expense	(205)				
Grant and Other Income					
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(15)</b>	<b>3,498</b>	<b>6</b>	<b>0</b>	<b>2</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>290</b>	<b>7,548</b>	<b>(1,093)</b>	<b>(286)</b>	<b>(24)</b>
<b>Capital Contributions and Transfers:</b>					
Capital Contributions				84	
Transfers In	87			324	
Transfers Out		(812)	(1)		
<b>Net Capital Contributions and Transfers</b>	<b>87</b>	<b>(812)</b>	<b>(1)</b>	<b>408</b>	<b>0</b>
<b>Change in Net Position</b>	<b>377</b>	<b>6,736</b>	<b>(1,094)</b>	<b>122</b>	<b>(24)</b>
Net Position at Beginning of Year	114,556	115,044	1,609	5,570	2,267
<b>Net Position at End of Year</b>	<b>\$ 114,933</b>	<b>\$ 121,780</b>	<b>\$ 515</b>	<b>\$ 5,692</b>	<b>\$ 2,243</b>

<u>Rural Rehabilitation</u>	<u>Prison Industries</u>	<u>S.D. Trust Company Captive Insurance Co.</u>	<u>Professional and Licensing</u>	<u>Banking and Insurance</u>	<u>Other</u>	<u>Total</u>
\$ 22	\$	\$	\$ 7,833	\$ 5,056	\$ 1,904	\$ 16,479
197						1,476
49	2,990	47	217	447	993	8,476
			58			133
						33,166
5			530	169	15	1,085
<u>273</u>	<u>2,990</u>	<u>47</u>	<u>8,638</u>	<u>5,672</u>	<u>2,912</u>	<u>60,815</u>
(17)	756		3,982	2,265	1,694	10,277
8	12		633	135	187	996
36	243	36	3,189	903	799	8,212
38	1,619		282	63	316	4,512
60			660			913
	71		9		44	247
						30,205
<u>125</u>	<u>2,701</u>	<u>36</u>	<u>8,755</u>	<u>3,366</u>	<u>3,040</u>	<u>55,362</u>
148	289	11	(117)	2,306	(128)	5,453
					6	6
8	4	16	29	11	5	3,769
(1)			(2)	(1)		(209)
135						135
<u>142</u>	<u>4</u>	<u>16</u>	<u>27</u>	<u>10</u>	<u>11</u>	<u>3,701</u>
290	293	27	(90)	2,316	(117)	9,154
						84
89				35	94	629
(2)	(207)		(123)	(128)	(60)	(1,333)
<u>87</u>	<u>(207)</u>	<u>0</u>	<u>(123)</u>	<u>(93)</u>	<u>34</u>	<u>(620)</u>
377	86	27	(213)	2,223	(83)	8,534
8,243	2,262	2,223	10,925	2,221	2,686	267,606
<u>\$ 8,620</u>	<u>\$ 2,348</u>	<u>\$ 2,250</u>	<u>\$ 10,712</u>	<u>\$ 4,444</u>	<u>\$ 2,603</u>	<u>\$ 276,140</u>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended June 30, 2018**  
**(Expressed in Thousands)**

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and Users	\$ 59	\$ 33,155	\$	\$ 3,551	\$ 2,228
Receipts from Interfund Services Provided				4	629
Receipts from Federal Agencies					45
Receipts from Loan Payments	4,293				
Payments to Suppliers and for Benefits and Claims	(211)	(29,115)	(1,090)	(2,308)	(1,910)
Payments for Employee Services	(219)		(12)	(956)	(568)
Payments for Interfund Services Used	(60)			(274)	(80)
Payments for Loans Originated	(5,714)				
Other Receipts (Payments)	(96)	(27)		366	
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,948)</b>	<b>4,013</b>	<b>(1,102)</b>	<b>383</b>	<b>344</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Capital Contributions				84	
Purchases of Capital Assets					
Construction in Progress					
Sales of Capital Assets					
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84</b>	<b>0</b>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers In	87			324	
Transfers Out		(818)	(1)		
Grants and Other Noncapital Financing Activities	(190)				
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(103)</b>	<b>(818)</b>	<b>(1)</b>	<b>324</b>	<b>0</b>
<b>Cash Flows From Investing Activities:</b>					
Investment Income	145	3,498	9	(2)	2
Investment Expense	(15)				
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>130</b>	<b>3,498</b>	<b>9</b>	<b>(2)</b>	<b>2</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year</b>	<b>(1,921)</b>	<b>6,693</b>	<b>(1,094)</b>	<b>789</b>	<b>346</b>
Cash and Cash Equivalents at Beginning of Year	77,181	113,562	1,599	1,138	474
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 75,260</b>	<b>\$ 120,255</b>	<b>\$ 505</b>	<b>\$ 1,927</b>	<b>\$ 820</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 305	\$ 4,050	\$ (1,099)	\$ (286)	\$ (26)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense				114	9
Bad Debt Expense					
Miscellaneous Nonoperating Items					
Decrease/(Increase) in Assets:					
Accounts Receivable	21	(48)		(38)	4
Interest, Dividends, and Penalties Receivable	(6)				
Loans and Notes Receivable	(2,203)				
Due From Other Funds		(27)			
Due From Component Units					
Due From Other Governments		38			7
Inventory					391
Other Assets					
Restricted Net Pension Asset	(2)			(2)	(2)
Decrease/(Increase) in Deferred Outflows of Resources:					
Deferred Outflows Related to Pensions	(34)		(1)	(26)	(32)
Increase/(Decrease) in Liabilities:					
Accounts Payable			1	65	10
Accrued Liabilities	(5)			36	(1)
Compensated Absences Payable	(1)		(1)	2	5
Due To Other Funds				7	(1)
Due To Other Governments				1	15
Unearned Revenue				546	
Other Liabilities					
Net Pension Liability	(52)		(4)	(69)	(69)
Increase/(Decrease) in Deferred Inflows of Resources:					
Deferred Inflows Related to Pensions	29		2	33	34
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,948)</b>	<b>\$ 4,013</b>	<b>\$ (1,102)</b>	<b>\$ 383</b>	<b>\$ 344</b>



Rural Rehabilitation	Prison Industries	S.D. Trust Company Captive Insurance Co.	Professional and Licensing	Banking and Insurance	Other	Total
\$ 72	\$ 774 3,141	\$ 162	\$ 8,674 67	\$ 5,504	\$ 2,943 28	\$ 57,122 3,869
						45
820						5,113
(167)	(1,776)	(133)	(3,201)	(1,798)	(1,067)	(42,776)
(14)	(900)	(13)	(4,490)	(2,594)	(1,878)	(11,644)
(17)	(968)	(5)	(976)	(149)	(228)	(2,757)
(1,705)						(7,419)
5			28	169	1	446
<b>(1,006)</b>	<b>271</b>	<b>11</b>	<b>102</b>	<b>1,132</b>	<b>(201)</b>	<b>1,999</b>
						84
	(100)		(21)			(121)
					(72)	(72)
					6	6
<b>0</b>	<b>(100)</b>	<b>0</b>	<b>(21)</b>	<b>0</b>	<b>(66)</b>	<b>(103)</b>
89			9	35	94	638
(2)	(207)		(131)	(128)	(60)	(1,347)
135						(55)
<b>222</b>	<b>(207)</b>	<b>0</b>	<b>(122)</b>	<b>(93)</b>	<b>34</b>	<b>(764)</b>
6	6	10	23	6	4	3,707
(1)			(2)	(1)		(19)
<b>5</b>	<b>6</b>	<b>10</b>	<b>21</b>	<b>5</b>	<b>4</b>	<b>3,688</b>
<b>(779)</b>	<b>(30)</b>	<b>21</b>	<b>(20)</b>	<b>1,044</b>	<b>(229)</b>	<b>4,820</b>
4,113	532	2,228	11,228	5,404	2,296	219,755
<b>\$ 3,334</b>	<b>\$ 502</b>	<b>\$ 2,249</b>	<b>\$ 11,208</b>	<b>\$ 6,448</b>	<b>\$ 2,067</b>	<b>\$ 224,575</b>
\$ 148	\$ 289	\$ 11	\$ (117)	\$ 2,306	\$ (128)	\$ 5,453
	71		9		44	247
47						47
3						3
	(87)		5		1	(142)
(35)						(41)
(1,046)						(3,249)
	133		5		1	112
	28					28
					4	49
	(29)				(26)	336
			507			507
	(3)		(14)	(8)	(5)	(36)
(29)	(65)		(248)	(175)	(82)	(692)
(5)	22		90	(839)	27	(629)
(2)	(5)		(6)	11	(3)	25
(1)	(21)		28	(12)	2	1
(88)	4		(8)	(6)	9	(83)
			1			17
	(14)		123			655
					51	51
(7)	(109)		(544)	(301)	(188)	(1,343)
9	57		271	156	92	683
<b>\$ (1,006)</b>	<b>\$ 271</b>	<b>\$ 11</b>	<b>\$ 102</b>	<b>\$ 1,132</b>	<b>\$ (201)</b>	<b>\$ 1,999</b>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
June 30, 2018  
(Expressed in Thousands)**

<b>Assets</b>	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Tele- communi- cations</b>	<b>Accounting and Payroll</b>	<b>Buildings and Grounds</b>	<b>Central Mail</b>
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 37,330	\$ 4,086	\$ 2,206	\$ 2,489	\$ 545	\$ 620
Receivables:						
Interest and Dividends	131	14	7	12	1	3
Other Funds		2,182	1,158	1,262	1,542	299
Component Units		3	211	115		
Other Governments						
Other	2,915	2	22	1		2
Inventory		20	55			259
Other Assets	100	1,222	927	1,101	8	23
<b>Total Current Assets</b>	<b>40,476</b>	<b>7,529</b>	<b>4,586</b>	<b>4,980</b>	<b>2,096</b>	<b>1,206</b>
<b>Restricted Assets:</b>						
Net Pension Asset	3	61	19	6	11	1
<b>Capital Assets:</b>						
Property, Plant, and Equipment		14,122	4,256	13,183	1,369	663
Accumulated Depreciation		(12,847)	(3,094)	(12,083)	(1,199)	(461)
Construction in Progress			6	224		
<b>Total Capital Assets</b>	<b>0</b>	<b>1,275</b>	<b>1,168</b>	<b>1,324</b>	<b>170</b>	<b>202</b>
<b>Total Assets</b>	<b>40,479</b>	<b>8,865</b>	<b>5,773</b>	<b>6,310</b>	<b>2,277</b>	<b>1,409</b>
<b>Deferred Outflows of Resources</b>						
Deferred Outflow Related to Pensions	309	6,712	2,027	602	1,215	132
<b>Total Deferred Outflows of Resources</b>	<b>309</b>	<b>6,712</b>	<b>2,027</b>	<b>602</b>	<b>1,215</b>	<b>132</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Liabilities	1,478	1,105	705	246	342	31
Payable to:						
Other Funds	75	171	216	100	57	7
Component Units						
Bonds, Notes, and Leases Payable		282	305			61
Claims, Judgments, and Compensated Absences	13,145	1,301	483	129	201	37
Unearned Revenue	10,838	61				
<b>Total Current Liabilities</b>	<b>25,536</b>	<b>2,920</b>	<b>1,709</b>	<b>475</b>	<b>600</b>	<b>136</b>
<b>Noncurrent Liabilities:</b>						
Bonds, Notes, and Leases Payable		94	262			104
Claims, Judgments, and Compensated Absences	39	1,127	426	114	178	32
Other Noncurrent Liabilities	49					
<b>Total Noncurrent Liabilities</b>	<b>88</b>	<b>1,221</b>	<b>688</b>	<b>114</b>	<b>178</b>	<b>136</b>
<b>Total Liabilities</b>	<b>25,624</b>	<b>4,141</b>	<b>2,397</b>	<b>589</b>	<b>778</b>	<b>272</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflow Related to Pensions	55	1,195	364	108	218	24
<b>Total Deferred Inflows of Resources</b>	<b>55</b>	<b>1,195</b>	<b>364</b>	<b>108</b>	<b>218</b>	<b>24</b>
<b>Net Position</b>						
Net Investment in Capital Assets		899	601	1,324	170	37
Restricted for Pensions	257	5,578	1,682	500	1,008	109
Unrestricted	14,852	3,764	2,756	4,391	1,318	1,099
<b>Total Net Position</b>	<b>\$ 15,109</b>	<b>\$ 10,241</b>	<b>\$ 5,039</b>	<b>\$ 6,215</b>	<b>\$ 2,496</b>	<b>\$ 1,245</b>

Digital Dakota Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 571	\$ 10,096	\$	\$ 912	\$ 3,429	\$ 3,989	\$ 66,273
2	35		3	14	17	239
94		1,232	334		712	8,815
100		231			72	732
					122	122
1	39	3	11	14	107	3,117
					418	752
14			5	140	89	3,629
<b>782</b>	<b>10,170</b>	<b>1,466</b>	<b>1,265</b>	<b>3,597</b>	<b>5,526</b>	<b>83,679</b>
2	1	2	11	1	19	137
2,170	58	60,225			11,334	107,380
(2,117)	(58)	(38,082)			(5,670)	(75,611)
		27				257
<b>53</b>	<b>0</b>	<b>22,170</b>	<b>0</b>	<b>0</b>	<b>5,664</b>	<b>32,026</b>
<b>837</b>	<b>10,171</b>	<b>23,638</b>	<b>1,276</b>	<b>3,598</b>	<b>11,209</b>	<b>115,842</b>
168	140	246	1,193	98	2,021	14,863
<b>168</b>	<b>140</b>	<b>246</b>	<b>1,193</b>	<b>98</b>	<b>2,021</b>	<b>14,863</b>
27	41	486	215	14	503	5,193
23	34	492	59	5	209	1,448
		35	9			44
		4,454			7	5,109
48	1,706	46	236	3,792	432	21,556
	5		7		8	10,919
<b>98</b>	<b>1,786</b>	<b>5,513</b>	<b>526</b>	<b>3,811</b>	<b>1,159</b>	<b>44,269</b>
		11,497			1	11,958
43	2,995	40	208	26,245	380	31,827
						49
<b>43</b>	<b>2,995</b>	<b>11,537</b>	<b>208</b>	<b>26,245</b>	<b>381</b>	<b>43,834</b>
<b>141</b>	<b>4,781</b>	<b>17,050</b>	<b>734</b>	<b>30,056</b>	<b>1,540</b>	<b>88,103</b>
30	25	44	214	18	362	2,657
<b>30</b>	<b>25</b>	<b>44</b>	<b>214</b>	<b>18</b>	<b>362</b>	<b>2,657</b>
53		6,220			5,655	14,959
140	116	204	990	81	1,678	12,343
641	5,389	366	531	(26,459)	3,995	12,643
<b>\$ 834</b>	<b>\$ 5,505</b>	<b>\$ 6,790</b>	<b>\$ 1,521</b>	<b>\$ (26,378)</b>	<b>\$ 11,328</b>	<b>\$ 39,945</b>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Tele- communi- cations</u>	<u>Accounting and Payroll</u>	<u>Buildings and Grounds</u>	<u>Central Mail</u>
<b>Operating Revenue:</b>						
Use of Money and Property	\$	\$	\$	\$	\$	\$
Sales and Services	156,013	24,976	16,141	4,863	6,532	3,376
Other Revenue	3,444	21	7	13	9	
<b>Total Operating Revenue</b>	<u>159,457</u>	<u>24,997</u>	<u>16,148</u>	<u>4,876</u>	<u>6,541</u>	<u>3,376</u>
<b>Operating Expenses:</b>						
Personal Services and Benefits	811	16,322	4,733	1,455	3,111	350
Travel	12	97	103	7	4	
Contractual Services	32,533	4,293	9,959	2,805	2,153	174
Supplies and Materials	72	773	266	76	803	2,744
Grant and Other	8					
Interest		29	31			9
Depreciation/Amortization		907	404	446	19	71
Insurance Claims	122,565					
<b>Total Operating Expenses</b>	<u>156,001</u>	<u>22,421</u>	<u>15,496</u>	<u>4,789</u>	<u>6,090</u>	<u>3,348</u>
<b>Operating Income (Loss)</b>	<b>3,456</b>	<b>2,576</b>	<b>652</b>	<b>87</b>	<b>451</b>	<b>28</b>
<b>Nonoperating Revenue (Expenses):</b>						
Gain on Disposal of Assets					13	
Loss on Disposal of Assets		(5)				
Interest Income	97	10	3	5	1	2
Other Expense	(6)	(1)		(1)		
Grant and Other Income		25				
<b>Total Nonoperating Revenue (Expenses)</b>	<u>91</u>	<u>29</u>	<u>3</u>	<u>4</u>	<u>14</u>	<u>2</u>
<b>Income (Loss) Before Transfers</b>	<b>3,547</b>	<b>2,605</b>	<b>655</b>	<b>91</b>	<b>465</b>	<b>30</b>
<b>Transfers:</b>						
Transfers In				531		
Transfers Out				(262)		
<b>Net Transfers</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>269</u>	<u>0</u>	<u>0</u>
<b>Change in Net Position</b>	<b>3,547</b>	<b>2,605</b>	<b>655</b>	<b>360</b>	<b>465</b>	<b>30</b>
Net Position at Beginning of Year	11,562	7,636	4,384	5,855	2,031	1,215
<b>Net Position at End of Year</b>	<u>\$ 15,109</u>	<u>\$ 10,241</u>	<u>\$ 5,039</u>	<u>\$ 6,215</u>	<u>\$ 2,496</u>	<u>\$ 1,245</u>

Digital Dakota Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$	\$	\$	\$	\$	\$	\$
774	3,156	13,961	4,516	4,258	19	19
	173	15		20	10,253	248,819
<b>774</b>	<b>3,329</b>	<b>13,976</b>	<b>4,516</b>	<b>4,278</b>	<b>10,434</b>	<b>252,702</b>
406	483	666	3,097	198	5,598	37,230
13	45	7	66	1	378	733
268	761	2,496	1,072	162	1,924	58,600
8	7	6,858	171	8	1,966	13,752
					1	9
		460			2	531
27		5,273			485	7,632
	2,281			7,065	256	132,167
<b>722</b>	<b>3,577</b>	<b>15,760</b>	<b>4,406</b>	<b>7,434</b>	<b>10,610</b>	<b>250,654</b>
52	(248)	(1,784)	110	(3,156)	(176)	2,048
1		283	1			298
		(80)				(85)
1	25	2	2	11	10	169
	(2)			(1)	(1)	(12)
						25
<b>2</b>	<b>23</b>	<b>205</b>	<b>3</b>	<b>10</b>	<b>9</b>	<b>395</b>
54	(225)	(1,579)	113	(3,146)	(167)	2,443
			285		950	1,766
						(262)
<b>0</b>	<b>0</b>	<b>0</b>	<b>285</b>	<b>0</b>	<b>950</b>	<b>1,504</b>
54	(225)	(1,579)	398	(3,146)	783	3,947
780	5,730	8,369	1,123	(23,232)	10,545	35,998
<b>\$ 834</b>	<b>\$ 5,505</b>	<b>\$ 6,790</b>	<b>\$ 1,521</b>	<b>\$ (26,378)</b>	<b>\$ 11,328</b>	<b>\$ 39,945</b>

**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2018**  
**(Expressed in Thousands)**

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers and Users	\$ 78,897	\$ 589	\$ 3,431	\$ 492	\$ 7	\$ 169
Receipts from Interfund Services Provided	76,562	24,384	12,634	4,316	6,424	3,186
Payments to Suppliers and for Benefits and Claims	(156,300)	(4,157)	(8,350)	(1,865)	(2,212)	(2,793)
Payments for Employee Services	(900)	(18,591)	(5,354)	(1,655)	(3,529)	(394)
Payments for Interfund Services Used	(1,246)	(1,243)	(1,223)	(1,110)	(758)	(88)
Other Receipts (Payments)	4,513	4	7	13	9	
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,526</b>	<b>986</b>	<b>1,145</b>	<b>191</b>	<b>(59)</b>	<b>80</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchases of Capital Assets		(187)	(24)		(63)	
Construction in Progress				(123)		
Sales of Capital Assets					17	
Payments on Capital Lease Obligations		(703)	(325)			(64)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>0</b>	<b>(890)</b>	<b>(349)</b>	<b>(123)</b>	<b>(46)</b>	<b>(64)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Transfers In				531		
Transfers Out				(261)		
Received (Paid) on Interfund Borrowing						
<b>Net Cash Provided (Used) From Noncapital Financing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>270</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Investing Activities:</b>						
Investment Income	95	9			1	1
Investment Expense	(6)	(1)		(1)		
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>89</b>	<b>8</b>	<b>0</b>	<b>(1)</b>	<b>1</b>	<b>1</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year</b>	<b>1,615</b>	<b>104</b>	<b>796</b>	<b>337</b>	<b>(104)</b>	<b>17</b>
Cash and Cash Equivalents at Beginning of Year	35,715	3,982	1,410	2,152	649	603
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 37,330</b>	<b>\$ 4,086</b>	<b>\$ 2,206</b>	<b>\$ 2,489</b>	<b>\$ 545</b>	<b>\$ 620</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$ 3,456	\$ 2,576	\$ 652	\$ 87	\$ 451	\$ 28
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		907	404	446	19	71
Interest Expense		30	31			9
Decrease/(Increase) in Assets:						
Accounts Receivable	(335)	(1)	(5)			
Due From Other Funds		(3)	(178)	(53)	(103)	(20)
Due From Component Units			107	(2)		
Due From Other Governments						
Inventory		(5)	30			67
Other Assets		(181)	580	(96)	(8)	(23)
Restricted Net Pension Asset	(3)	(61)	(19)	(6)	(11)	(1)
Decrease/(Increase) in Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	(63)	(911)	(245)	(63)	(229)	(20)
Increase/(Decrease) in Liabilities:						
Accounts Payable	65	(63)	170	16	18	(8)
Accrued Liabilities	3	(9)	(14)	3	(2)	(2)
Compensated Absences Payable	21	(34)	47	(13)	18	2
Due To Other Funds	2	13	(24)	(8)	(6)	
Due To Component Units						
Due To Other Governments	2		(1)		(12)	
Unearned Revenue	(545)	(17)				
Policy Claim Liabilities	(1,029)					
Net Pension Liability	(101)	(2,411)	(742)	(225)	(405)	(46)
Increase/(Decrease) in Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	53	1,156	352	105	211	23
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,526</b>	<b>\$ 986</b>	<b>\$ 1,145</b>	<b>\$ 191</b>	<b>\$ (59)</b>	<b>\$ 80</b>
<b>Noncash Investing, Capital, and Financing Activities:</b>						
Gain (Loss) on Disposal of Capital Assets	\$	\$ (5)	\$	\$	\$ 14	\$
Capital Lease Obligations Entered Into						80
Transfers In (Out) of Capital Assets						

Digital Dakota Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 399	\$ 1,002	\$ 2,540	\$ 52	\$ 993	\$ 2,227	\$ 90,798
383	2,155	11,406	4,417	3,295	7,951	157,113
(164)	(2,733)	(8,314)	(880)	(4,323)	(3,214)	(195,305)
(458)	(400)	(744)	(3,470)	(241)	(6,194)	(41,930)
(125)	(409)	(1,211)	(468)	(38)	(1,462)	(9,381)
	679	14	21		180	5,440
<b>35</b>	<b>294</b>	<b>3,691</b>	<b>(328)</b>	<b>(314)</b>	<b>(512)</b>	<b>6,735</b>
(24)		(853)			(57)	(1,208)
		(27)				(150)
1		654	1			673
		(5,020)			(38)	(6,150)
<b>(23)</b>	<b>0</b>	<b>(5,246)</b>	<b>1</b>	<b>0</b>	<b>(95)</b>	<b>(6,835)</b>
			285		555	1,371
						(261)
		210				210
<b>0</b>	<b>0</b>	<b>210</b>	<b>285</b>	<b>0</b>	<b>555</b>	<b>1,320</b>
	24	5	2	11	7	155
	(2)			(1)	(1)	(12)
<b>0</b>	<b>22</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>6</b>	<b>143</b>
12	316	(1,340)	(40)	(304)	(46)	1,363
559	9,780	1,340	952	3,733	4,035	64,910
<b>\$ 571</b>	<b>\$ 10,096</b>	<b>\$ 0</b>	<b>\$ 912</b>	<b>\$ 3,429</b>	<b>\$ 3,989</b>	<b>\$ 66,273</b>
\$ 52	\$ (248)	\$ (1,784)	\$ 110	\$ (3,156)	\$ (176)	\$ 2,048
27		5,273			485	7,632
		460			2	532
	4	(1)	(3)	(6)	(4)	(351)
11		1	(44)		(83)	(472)
(2)		(15)			(25)	63
					34	34
					(42)	50
(1)	23				(89)	205
(2)	(1)	(2)	(11)	(1)	(19)	(137)
(25)	(32)	(39)	(165)	(18)	(114)	(1,924)
	(29)	54	(36)		(43)	144
	1	(3)	3	(3)	(11)	(34)
5	11	9	22	(6)	1	83
	23	(214)			23	(191)
		(5)	9			4
		1				(10)
	5		7		3	(547)
	557			2,892		2,420
(59)	(44)	(86)	(427)	(33)	(803)	(5,382)
29	24	42	207	17	349	2,568
<b>\$ 35</b>	<b>\$ 294</b>	<b>\$ 3,691</b>	<b>\$ (328)</b>	<b>\$ (314)</b>	<b>\$ (512)</b>	<b>\$ 6,735</b>
\$ 1	\$	\$ 203	\$	\$	\$	\$ 213
		4,802				4,882
					396	396

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
June 30, 2018  
(Expressed in Thousands)**

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 16	\$ 385	\$ 1,360	\$ 992	\$ 2,753
<b>Receivables:</b>					
Due From Other Funds			119		119
Investment Income	425	1		2	428
Other	2	28			30
<b>Total Receivables</b>	<b>427</b>	<b>29</b>	<b>119</b>	<b>2</b>	<b>577</b>
<b>Investments, at Fair Value:</b>					
Pooled Investment Funds	245,537				245,537
<b>Total Investments</b>	<b>245,537</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>245,537</b>
Properties, at cost	14,164			14	14,178
Other Assets				13	13
<b>Total Assets</b>	<b>260,144</b>	<b>414</b>	<b>1,479</b>	<b>1,021</b>	<b>263,058</b>
<b>Liabilities</b>					
Payables:					
Accounts Payable and Other Liabilities		153		13	166
Due To Other Funds			220	28	248
<b>Total Liabilities</b>	<b>0</b>	<b>153</b>	<b>220</b>	<b>41</b>	<b>414</b>
<b>Net Position - Restricted for Others</b>	<b>\$ 260,144</b>	<b>\$ 261</b>	<b>\$ 1,259</b>	<b>\$ 980</b>	<b>\$ 262,644</b>



**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 2018**  
**(Expressed in Thousands)**

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
<b>Additions</b>					
<b>Contributions:</b>					
From Clients and Inmates	\$	\$	\$ 8,609	\$ 1,629	\$ 10,238
Other	8,191				8,191
<b>Total Contributions</b>	<b>8,191</b>	<b>0</b>	<b>8,609</b>	<b>1,629</b>	<b>18,429</b>
<b>Investment Income:</b>					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	9,710				9,710
Real Estate	945				945
Pooled Interest and Dividends	4,640	1			4,641
<b>Net Investment Income (Loss)</b>	<b>15,295</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>15,296</b>
<i>From Security Lending Activities</i>					
Securities Lending Income	4				4
Escheated Property				3	3
Miscellaneous Income	239	768		27	1,034
<b>Total Additions</b>	<b>23,729</b>	<b>769</b>	<b>8,609</b>	<b>1,659</b>	<b>34,766</b>
<b>Deductions</b>					
Distribution to School Districts	11,282				11,282
Payments Made for Trust Purposes		744	8,578	1,585	10,907
Administrative Expenses				4	4
<b>Total Deductions</b>	<b>11,282</b>	<b>744</b>	<b>8,578</b>	<b>1,589</b>	<b>22,193</b>
<b>Change in Net Position</b>	<b>12,447</b>	<b>25</b>	<b>31</b>	<b>70</b>	<b>12,573</b>
Net Position at Beginning of Year	247,697	236	1,228	910	250,071
<b>Net Position at End of Year</b>	<b>\$ 260,144</b>	<b>\$ 261</b>	<b>\$ 1,259</b>	<b>\$ 980</b>	<b>\$ 262,644</b>



**STATE OF SOUTH DAKOTA**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2018**  
**(Expressed in Thousands)**

	<b>Department of Revenue Tax Collections</b>	<b>Social Services Child Support</b>	<b>State Auditor Payroll Withholding</b>	<b>State Clerk of Courts</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 2,471	\$ 2,644	\$ 7,931	\$ 8,327	\$ 2,174	\$ 23,547
Receivables:						
Taxes Receivable, net	44,876					44,876
Interest and Dividends Receivable	8					8
Other	499				52	551
<b>Total Receivables</b>	<b>45,383</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>45,435</b>
<b>Total Assets</b>	<b>\$ 47,854</b>	<b>\$ 2,644</b>	<b>\$ 7,931</b>	<b>\$ 8,327</b>	<b>\$ 2,226</b>	<b>\$ 68,982</b>
<b>Liabilities</b>						
Payables:						
Accounts Payable and Other Liabilities	\$ 1,137	\$ 2,644	\$ 32	\$ 8,327	\$ 1,406	\$ 13,546
Due To Other Governments	46,717		7,899		820	55,436
<b>Total Liabilities</b>	<b>\$ 47,854</b>	<b>\$ 2,644</b>	<b>\$ 7,931</b>	<b>\$ 8,327</b>	<b>\$ 2,226</b>	<b>\$ 68,982</b>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
<b>Department of Revenue - Tax Collections</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,557	\$ 403,647	\$ 402,733	\$ 2,471
Accounts Receivable	384	115		499
Taxes Receivable, net	42,503	45,042	42,669	44,876
Interest and Dividends Receivable		8		8
<b>Total Assets</b>	<b><u>\$ 44,444</u></b>	<b><u>\$ 448,812</u></b>	<b><u>\$ 445,402</u></b>	<b><u>\$ 47,854</u></b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 1,133	\$ 222	\$ 218	\$ 1,137
Due To Other Governments	43,311	448,590	445,184	46,717
<b>Total Liabilities</b>	<b><u>\$ 44,444</u></b>	<b><u>\$ 448,812</u></b>	<b><u>\$ 445,402</u></b>	<b><u>\$ 47,854</u></b>
<b>Social Services - Child Support</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,681	\$ 117,564	\$ 117,601	\$ 2,644
<b>Total Assets</b>	<b><u>\$ 2,681</u></b>	<b><u>\$ 117,564</u></b>	<b><u>\$ 117,601</u></b>	<b><u>\$ 2,644</u></b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 2,681	\$ 117,564	\$ 117,601	\$ 2,644
<b>Total Liabilities</b>	<b><u>\$ 2,681</u></b>	<b><u>\$ 117,564</u></b>	<b><u>\$ 117,601</u></b>	<b><u>\$ 2,644</u></b>
<b>State Auditor - Payroll Withholding</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 8,386	\$ 247,133	\$ 247,588	\$ 7,931
<b>Total Assets</b>	<b><u>\$ 8,386</u></b>	<b><u>\$ 247,133</u></b>	<b><u>\$ 247,588</u></b>	<b><u>\$ 7,931</u></b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 41	\$ 9,923	\$ 9,932	\$ 32
Due To Other Governments	8,345	237,210	237,656	7,899
<b>Total Liabilities</b>	<b><u>\$ 8,386</u></b>	<b><u>\$ 247,133</u></b>	<b><u>\$ 247,588</u></b>	<b><u>\$ 7,931</u></b>
<b>State Clerk of Courts</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 6,915	\$ 18,551	\$ 17,139	\$ 8,327
<b>Total Assets</b>	<b><u>\$ 6,915</u></b>	<b><u>\$ 18,551</u></b>	<b><u>\$ 17,139</u></b>	<b><u>\$ 8,327</u></b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 6,915	\$ 18,551	\$ 17,139	\$ 8,327
<b>Total Liabilities</b>	<b><u>\$ 6,915</u></b>	<b><u>\$ 18,551</u></b>	<b><u>\$ 17,139</u></b>	<b><u>\$ 8,327</u></b>

Continued on next page

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES  
AGENCY FUNDS (continued)  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Other Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,432	\$ 64,880	\$ 64,138	\$ 2,174
Accounts Receivable	62	52	62	52
Interest and Dividends Receivable	1		1	0
<b>Total Assets</b>	<b>\$ 1,495</b>	<b>\$ 64,932</b>	<b>\$ 64,201</b>	<b>\$ 2,226</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 699	\$ 63,638	\$ 62,931	\$ 1,406
Due To Other Governments	796	1,294	1,270	820
<b>Total Liabilities</b>	<b>\$ 1,495</b>	<b>\$ 64,932</b>	<b>\$ 64,201</b>	<b>\$ 2,226</b>
<b>Total All Agency Funds</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 20,971	\$ 851,775	\$ 849,199	\$ 23,547
Accounts Receivable	446	167	62	551
Taxes Receivable, net	42,503	45,042	42,669	44,876
Interest and Dividends Receivable	1	8	1	8
<b>Total Assets</b>	<b>\$ 63,921</b>	<b>\$ 896,992</b>	<b>\$ 891,931</b>	<b>\$ 68,982</b>
<b>Liabilities:</b>				
Accounts Payable and Other Liabilities	\$ 11,469	\$ 209,898	\$ 207,821	\$ 13,546
Due To Other Governments	52,452	687,094	684,110	55,436
<b>Total Liabilities</b>	<b>\$ 63,921</b>	<b>\$ 896,992</b>	<b>\$ 891,931</b>	<b>\$ 68,982</b>

STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
COMPONENT UNITS  
June 30, 2018  
(Expressed in Thousands)

Assets	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 216,545	\$ 13,305	\$ 271,202	\$ 15,879	\$ 516,931
Receivables:					
Interest and Dividends	4,755	50	1,471	107	6,383
Primary Government			1,635		1,635
Other Governments			15,348		15,348
Loans and Notes, net	48,192		5,458	835	54,485
Other, net	1,254	3,200	43,166	459	48,079
Investments	171,232		41,332	633	213,197
Restricted Assets:					
Investments				3,840	3,840
Inventory	2,603	2,407	7,696		12,706
Other Assets	3,443	403	5,217	26	9,089
<b>Total Current Assets</b>	<b>448,024</b>	<b>19,365</b>	<b>392,525</b>	<b>21,779</b>	<b>881,693</b>
Investments	782,585		375,722	1,720	1,160,027
Assets Held for Resale				3,855	3,855
Restricted Assets:					
Cash and Cash Equivalents			34,356	7	34,363
Investments			158,770	1,994	160,764
Net Pension Asset	14	44	1,367		1,425
Other			38,515		38,515
<b>Capital Assets:</b>					
Land and Other Non-depreciable Assets	220	19,821	42,132		62,173
Property, Plant, and Equipment	10,385	58,802	1,786,494	24,124	1,879,805
Accumulated Depreciation	(5,327)	(14,596)	(719,222)	(3,323)	(742,468)
Construction in Progress		18,084	108,655		126,739
<b>Total Capital Assets</b>	<b>5,278</b>	<b>82,111</b>	<b>1,218,059</b>	<b>20,801</b>	<b>1,326,249</b>
Other Noncurrent Assets, net	462,247	6,514	71,379	8,878	549,018
<b>Total Assets</b>	<b>1,698,148</b>	<b>108,034</b>	<b>2,290,693</b>	<b>59,034</b>	<b>4,155,909</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflow Related to Pensions	1,616	4,796	147,544		153,956
Deferred Swap Outflow	64				64
Deferred Forward Contract Outflow	112				112
Deferred Outflow on Debt Refunding	3,391		9,383		12,774
<b>Total Deferred Outflows of Resources</b>	<b>5,183</b>	<b>4,796</b>	<b>156,927</b>	<b>0</b>	<b>166,906</b>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable and Other Liabilities	739	1,376	47,435	106	49,656
Payable to Primary Government	52		792		844
Escrow Payable	5,678				5,678
Bonds, Notes, and Leases Payable	39,938		28,375	476	68,789
Claims, Judgments, and Compensated Absences	309	542	12,850		13,701
Accrued Interest Payable	4,993		3,983	119	9,095
Unearned Revenue			43,152	2,182	45,334
Advances from Primary Government				1,076	1,076
Other Current Liabilities			19,820	687	20,507
<b>Total Current Liabilities</b>	<b>51,709</b>	<b>1,918</b>	<b>156,407</b>	<b>4,646</b>	<b>214,680</b>
<b>Noncurrent Liabilities:</b>					
Bonds, Notes, and Leases Payable	1,154,281	5,000	480,508	10,966	1,650,755
Claims, Judgments, and Compensated Absences	273	542	29,148		29,963
Federal Capital Contribution Refundable Advance			38,901		38,901
Advances from Primary Government				20,232	20,232
Other Noncurrent Liabilities	1,126		14,391	1,089	16,606
<b>Total Noncurrent Liabilities</b>	<b>1,155,680</b>	<b>5,542</b>	<b>562,948</b>	<b>32,287</b>	<b>1,756,457</b>
<b>Total Liabilities</b>	<b>1,207,389</b>	<b>7,460</b>	<b>719,355</b>	<b>36,933</b>	<b>1,971,137</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflow Related to Pensions	357	852	26,272		27,481
Deferred Inflow on Gain on Debt Refunding	1,473		14		1,487
Deferred Inflow on Swaps	3,443				3,443
<b>Total Deferred Inflows of Resources</b>	<b>5,273</b>	<b>852</b>	<b>26,286</b>	<b>0</b>	<b>32,411</b>
<b>Net Position</b>					
Net Investment in Capital Assets	(907)	82,111	733,108	239	814,551
Restricted for:					
Debt Service	402,124		3,699	5,000	410,823
HOME and NSP Program	77,764				77,764
Higher Education - Expendable			258,053		258,053
Higher Education - Nonexpendable			428,297		428,297
Experiments		2,588			2,588
Mine Closure		1,416			1,416
Sanford Center for Science Education		129			129
Indemnification		7,500			7,500
Pensions	1,273	3,988	122,639		127,900
Other	10,415				10,415
Unrestricted		6,786	156,183	16,862	179,831
<b>Total Net Position</b>	<b>\$ 490,669</b>	<b>\$ 104,518</b>	<b>\$ 1,701,979</b>	<b>\$ 22,101</b>	<b>\$ 2,319,267</b>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
COMPONENT UNITS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
<b>Operating Revenue:</b>					
Tuition and Fees (net of discounts and allowances for scholarships of Higher Education of \$43,140)	\$	\$	\$ 254,965	\$	\$ 254,965
Use of Money and Property	16,379			499	16,878
Sales and Services (net of discounts and allowances for scholarships of Higher Education of \$12,877)		128	122,005	3,910	126,043
Administering Programs	31,431	22,732	116,733	309	171,205
Other Revenue	5,928	188	75,041	67	81,224
<b>Total Operating Revenue</b>	<b>53,738</b>	<b>23,048</b>	<b>568,744</b>	<b>4,785</b>	<b>650,315</b>
<b>Operating Expenses:</b>					
Personal Services and Benefits	3,273	10,943	393,377		407,593
Travel	277	192	20,202	11	20,682
Contractual Services	9,262	7,889	126,968	1,760	145,879
Supplies and Materials	2,330	1,962	63,573	163	68,028
Grants and Subsidies	25,802		37,146	13,572	76,520
Other			2,438	775	3,213
Interest	28,974		267	452	29,693
Provisions for Loan Loss (Recovery)	1,320			(33)	1,287
Depreciation/Amortization	443	2,073	54,776	850	58,142
<b>Total Operating Expenses</b>	<b>71,681</b>	<b>23,059</b>	<b>698,747</b>	<b>17,550</b>	<b>811,037</b>
<b>Operating Income (Loss)</b>	<b>(17,943)</b>	<b>(11)</b>	<b>(130,003)</b>	<b>(12,765)</b>	<b>(160,722)</b>
<b>Nonoperating Revenue (Expenses):</b>					
Loss on Disposal of Assets		(38)	(1,064)		(1,102)
Interest Income		37	46,072	175	46,284
Interest Expense			(21,731)	(667)	(22,398)
Other Expense		(1,205)	(12,047)	(2)	(13,254)
State Aid from Primary Government			210,972		210,972
Federal Appropriation			6,539		6,539
Grant and Other Income			35,712		35,712
<b>Total Nonoperating Revenue (Expenses)</b>	<b>0</b>	<b>(1,206)</b>	<b>264,453</b>	<b>(494)</b>	<b>262,753</b>
<b>Income (Loss) Before Capital Grants and Additions to Endowments</b>	<b>(17,943)</b>	<b>(1,217)</b>	<b>134,450</b>	<b>(13,259)</b>	<b>102,031</b>
Capital Grants			4,857	11,429	16,286
Additions to Endowments			23,508		23,508
<b>Change in Net Position</b>	<b>(17,943)</b>	<b>(1,217)</b>	<b>162,815</b>	<b>(1,830)</b>	<b>141,825</b>
Net Position at Beginning of Year, as restated	508,612	105,735	1,539,164	23,931	2,177,442
<b>Net Position at End of Year</b>	<b>\$ 490,669</b>	<b>\$ 104,518</b>	<b>\$ 1,701,979</b>	<b>\$ 22,101</b>	<b>\$ 2,319,267</b>

**STATE OF SOUTH DAKOTA  
STATEMENT OF CASH FLOWS  
HIGHER EDUCATION  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b>Higher Education</b>
<b>Cash Flows from Operating Activities:</b>	
Tuition and Fees	\$ 254,362
Auxiliaries	69,767
Sales & Services - General	52,785
Federal Contracts & Grants	74,792
State Contracts & Grants	13,497
Private Contracts & Grants	59,980
Other Revenue and Additions	296
Loans Issued to Students	(5,841)
Loans Collected from Students	4,993
Student Loan Interest	609
Payments for Personal Services Expenditures	(433,710)
Payments for Travel Expenditures	(18,994)
Payments for Contractual Expenditures	(122,192)
Payments for Supply Expenditures and Non-Capitalized Equipment	(62,826)
Payments for Grant and Subsidy Expenditures	(36,919)
Payments for Other Expenditures	(71)
Foundation Activity	15,390
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(134,082)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
General Fund Appropriations	210,972
School & Public Lands	2,110
Federal Fund Appropriations	7,573
Endo/Ecto Tax	779
Federal loan Disbursements	(166,049)
Federal Loan Receipts	166,049
Federal Capital Contribution - Student Loan	(560)
Other Revenues & Additions	32,521
Payments for Other Expenditures	(584)
Foundation Activity	54,534
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>307,345</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Capital Grants & Contracts	3,212
Proceeds from Capital Debt (Leases)	100,370
Revenue Bond Discounts and Related Costs	(4,095)
Sale of Capital Asset	500
Principal Paid on Capital Debt and Leases	(121,566)
Interest Paid on Capital Debt and Leases	(23,980)
Purchase of Capital Assets	(123,281)
Foundation Activity	(8,793)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(177,633)</b>
<b>Cash Flows from Investing Activities:</b>	
Investment Income	415
Foundation Activity	(9,615)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(9,200)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents during the Fiscal Year</b>	<b>(13,570)</b>
Cash and Cash Equivalents at Beginning of Year	319,128
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 305,558</b>

Continued on next page



**STATE OF SOUTH DAKOTA  
STATEMENT OF CASH FLOWS  
HIGHER EDUCATION  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Higher Education</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)</b>	
<b>by Operating Activities</b>	
Operating Income (Loss)	\$ (130,003)
Adjustments to Reconcile Operating Income (Loss):	
Depreciation Expense	54,776
Bad Debt Expense	70
Donated Amounts	(127)
Loan Cancellation Expense	700
Pension Adjustment	(48,825)
Foundation Activity	(41,543)
Decrease/(Increase) in Assets:	
Accounts Receivable Students	(529)
Accounts Receivable - Dept	72
Interest Receivable	(56)
Notes Receivable	(415)
Due From Federal Sources	3,764
Due From Primary Govt	(532)
Due from Component Unit	2,188
Prepaid Expense and Deferred Charges	(330)
Inventory	267
Contraction in Progress	239
Other Assets	(76)
Increase/(Decrease) in Liabilities:	
Accounts Payable	(1,224)
Accrued Wages & Benefits	(671)
Due to Primary Government	(90)
Due To Component Unit	(634)
Student Deposits	(10)
Compensated Absences	684
Other Accrued Liabilities	(24)
Unearned Revenue	29,650
Obligations Under Cap Leases - Non Cap	(1,337)
Agency Funds Held for Others	(66)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (134,082)</b>
<b>Noncash Investing, Capital and Financing Activities:</b>	
Transfers In (Out) of Capital Assets	\$ 2,839
Gain or (Loss) on Disposal of Capital Assets	(1,064)
Bond Proceeds Deposited Directly into an Escrow Account	71,574

STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR COMPONENT UNITS  
June 30, 2018  
(Expressed in Thousands)

	Business-type Activities					Total
	S.D. Economic Development Finance Authority	Value Added Finance Authority	S.D. Ellsworth Development Authority	S.D. Authority Captive Insurance Co.	S.D. Property and Casualty Captive Insurance Co.	
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 1,664	\$ 1,175	\$ 2,508	\$ 4,694	\$ 5,838	\$ 15,879
Receivables:						
Interest and Dividends	73	2		16	16	107
Loans and Notes, net	547	288				835
Other, net			459			459
Investments	633					633
Restricted Assets:						
Investments	3,840					3,840
Other Assets			26			26
<b>Total Current Assets</b>	<b>6,757</b>	<b>1,465</b>	<b>2,993</b>	<b>4,710</b>	<b>5,854</b>	<b>21,779</b>
Investments	1,720					1,720
Assets Held for Resale			3,855			3,855
Restricted Assets:						
Cash and Cash Equivalents	7					7
Investments	1,994					1,994
<b>Capital Assets:</b>						
Property, Plant, and Equipment			24,124			24,124
Accumulated Depreciation			(3,323)			(3,323)
<b>Total Capital Assets</b>	<b>0</b>	<b>0</b>	<b>20,801</b>	<b>0</b>	<b>0</b>	<b>20,801</b>
Other Noncurrent Assets, net	7,878	853	147			8,878
<b>Total Assets</b>	<b>18,356</b>	<b>2,318</b>	<b>27,796</b>	<b>4,710</b>	<b>5,854</b>	<b>59,034</b>
<b>Liabilities</b>						
<b>Current Liabilities:</b>						
Accounts Payable and Other Liabilities			81	11	14	106
Bonds, Notes, and Leases Payable	395	81				476
Accrued Interest Payable	111	8				119
Unearned Revenue			2,182			2,182
Advances from Primary Government			1,076			1,076
Other Current Liabilities				63	624	687
<b>Total Current Liabilities</b>	<b>506</b>	<b>89</b>	<b>3,339</b>	<b>74</b>	<b>638</b>	<b>4,646</b>
<b>Noncurrent Liabilities:</b>						
Bonds, Notes, and Leases Payable	7,960	1,385	1,621			10,966
Advances from Primary Government			20,232			20,232
Other Noncurrent Liabilities	869			206	14	1,089
<b>Total Noncurrent Liabilities</b>	<b>8,829</b>	<b>1,385</b>	<b>21,853</b>	<b>206</b>	<b>14</b>	<b>32,287</b>
<b>Total Liabilities</b>	<b>9,335</b>	<b>1,474</b>	<b>25,192</b>	<b>280</b>	<b>652</b>	<b>36,933</b>
<b>Net Position</b>						
Net Investment in Capital Assets			239			239
Restricted for:						
Debt Service	5,000					5,000
Unrestricted	4,021	844	2,365	4,430	5,202	16,862
<b>Total Net Position</b>	<b>\$ 9,021</b>	<b>\$ 844</b>	<b>\$ 2,604</b>	<b>\$ 4,430</b>	<b>\$ 5,202</b>	<b>\$ 22,101</b>

**STATE OF SOUTH DAKOTA  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
NONMAJOR COMPONENT UNITS  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	Business-type Activities					Total
	S.D. Economic Development Finance Authority	Value Added Finance Authority	S.D. Ellsworth Development Authority	S.D. Authority Captive Insurance Co.	S.D. Property and Casualty Captive Insurance Co.	
<b>Operating Revenue:</b>						
Use of Money and Property	\$ 463	\$ 36	\$	\$	\$	\$ 499
Sales and Services			2,672	174	1,064	3,910
Administering Programs			309			309
Other Revenue		2	65			67
<b>Total Operating Revenue</b>	<b>463</b>	<b>38</b>	<b>3,046</b>	<b>174</b>	<b>1,064</b>	<b>4,785</b>
<b>Operating Expenses:</b>						
Travel			11			11
Contractual Services	44		1,443	81	192	1,760
Supplies and Materials			163			163
Grant and Subsidies			13,572			13,572
Other				170	605	775
Interest	452					452
Provisions for Loan Loss (Recovery)		(33)				(33)
Depreciation/Amortization			850			850
<b>Total Operating Expenses</b>	<b>496</b>	<b>(33)</b>	<b>16,039</b>	<b>251</b>	<b>797</b>	<b>17,550</b>
<b>Operating Income (Loss)</b>	<b>(33)</b>	<b>71</b>	<b>(12,993)</b>	<b>(77)</b>	<b>267</b>	<b>(12,765)</b>
<b>Nonoperating Revenue (Expenses):</b>						
Interest Income	63	1	9	51	51	175
Interest Expense		(15)	(652)			(667)
Other Expense				(1)	(1)	(2)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>63</b>	<b>(14)</b>	<b>(643)</b>	<b>50</b>	<b>50</b>	<b>(494)</b>
<b>Income (Loss) Before Capital Grants</b>	<b>30</b>	<b>57</b>	<b>(13,636)</b>	<b>(27)</b>	<b>317</b>	<b>(13,259)</b>
Capital Grants			11,429			11,429
<b>Change in Net Position</b>	<b>30</b>	<b>57</b>	<b>(2,207)</b>	<b>(27)</b>	<b>317</b>	<b>(1,830)</b>
Net Position at Beginning of Year	8,991	787	4,811	4,457	4,885	23,931
<b>Net Position at End of Year</b>	<b>\$ 9,021</b>	<b>\$ 844</b>	<b>\$ 2,604</b>	<b>\$ 4,430</b>	<b>\$ 5,202</b>	<b>\$ 22,101</b>





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***STATISTICAL SECTION***

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***STATISTICAL SECTION***

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# **STATISTICAL SECTION**

This section of the State of South Dakota’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes to the financial statements, and required supplementary information says about the State’s overall financial health.

**FINANCIAL TRENDS INFORMATION ..... 178**

These schedules present trend information to help the reader understand how the State’s financial performance and fiscal health have changed over time.

Net Position by Component.....	178
Changes in Net Position.....	179
Fund Balances, Governmental Funds.....	180
Changes in Fund Balances, All Governmental Funds .....	181

**REVENUE CAPACITY INFORMATION ..... 182**

These schedules contain information to help the reader understand the State’s capacity to raise revenues and the sources of those revenues.

Sales Tax Revenue Payers by Industry .....	182
Taxable Sales by Industry .....	184

**DEBT CAPACITY INFORMATION ..... 185**

These schedules present information to help the reader understand and assess the State’s levels of outstanding debt and the State’s ability to issue additional debt in the future.

Ratios of Outstanding Long-Term Debt .....	185
Pledged-Revenue Coverage.....	186

**DEMOGRAPHIC AND ECONOMIC INFORMATION ..... 187**

These schedules contain demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.

Population .....	187
Total Personal Income .....	187
Unemployment Rate .....	188
Per Capita Personal Income .....	188
Nonfarm Wage and Salary Employment by Industry .....	189
Expanded and New Industries .....	189
Top Ten Employers .....	190

**OPERATING INFORMATION ..... 191**

These schedules offer operating data to help the reader understand how the information in the State’s financial report relates to the services it provides and the activities it performs.

Full-Time Equivalent State Employees by Function of Government .....	191
Capital Asset Statistics by Function .....	192
Operating Indicators by Function .....	194

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

(Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
<b>Governmental Activities:</b>					
Net Investment in Capital Assets	\$ 4,051,612	\$ 3,961,256	\$ 3,804,409	\$ 3,713,057	\$ 3,673,267
Restricted	1,751,888	1,588,336	1,509,441	1,537,781	1,383,140
Unrestricted	283,343	267,296	254,579	264,916	246,555
<b>Total Governmental Activities Net Position</b>	<b>\$ 6,086,843</b>	<b>\$ 5,816,888</b>	<b>\$ 5,568,429</b>	<b>\$ 5,515,754</b>	<b>\$ 5,302,962</b>
<b>Business-type Activities:</b>					
Net Investment in Capital Assets	\$ 7,027	\$ 7,060	\$ 6,357	\$ 2,810	\$ 3,650
Restricted	6,782	5,085	5,481	6,155	912
Unrestricted	707,805	684,730	660,697	624,416	588,495
<b>Total Business-type Activities Net Position</b>	<b>\$ 721,614</b>	<b>\$ 696,875</b>	<b>\$ 672,535</b>	<b>\$ 633,381</b>	<b>\$ 593,057</b>
<b>Primary Government:</b>					
Net Investment in Capital Assets	\$ 4,058,639	\$ 3,968,316	\$ 3,810,766	\$ 3,715,867	\$ 3,676,917
Restricted	1,758,670	1,593,421	1,514,922	1,543,936	1,384,052
Unrestricted	991,148	952,026	915,276	889,332	835,050
<b>Total Primary Government Net Position</b>	<b>\$ 6,808,457</b>	<b>\$ 6,513,763</b>	<b>\$ 6,240,964</b>	<b>\$ 6,149,135</b>	<b>\$ 5,896,019</b>

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

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2009-2018). Previous years' amounts are not restated.



**State of South Dakota  
Changes in Net Position  
Last Ten Fiscal Years**

(Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General Government	\$ 217,355	\$ 198,531	\$ 198,079	\$ 185,273	\$ 180,221	\$ 169,843	\$ 164,005	\$ 157,405	\$ 146,193	\$ 170,900
Education - Elementary, Secondary, and Vocational Schools	213,449	223,668	210,777	210,271	206,939	201,177	211,413	218,959	212,919	195,534
Education - State Support to Higher Education	210,972	206,253	232,245	192,950	219,341	176,294	171,701	185,757	182,681	196,007
Health, Human, and Social Services	1,500,037	1,503,967	1,423,411	1,406,586	1,380,648	1,367,355	1,354,764	1,354,829	1,337,922	1,200,436
Law, Justice, Public Protection, and Regulation	258,727	294,852	269,583	279,097	321,186	277,223	286,127	286,824	241,217	243,805
Agriculture and Natural Resources	144,690	161,412	153,087	140,921	152,666	144,245	130,279	151,116	130,943	118,686
Economic Resources	43,560	52,771	56,138	74,004	40,121	43,300	40,865	51,157	52,966	45,006
Transportation	455,118	459,424	561,536	507,300	473,323	537,497	482,400	508,548	457,081	408,482
Intergovernmental - Payments to School Districts	547,119	516,880	421,666	404,909	393,606	394,857	375,008	412,310	405,947	400,162
Intergovernmental - Revenue Sharing	187,573	176,836	173,721	169,514	161,564	141,514	122,320	100,493	103,425	99,064
Unallocated Interest Expense	7,899	6,419	6,627	6,712	9,198	14,537	17,393	18,711	19,820	21,514
Unallocated Depreciation	53	53	53	53	53	53	53	58	58	58
<b>Total Governmental Activities Expenses</b>	<b>3,786,552</b>	<b>3,801,066</b>	<b>3,706,923</b>	<b>3,577,590</b>	<b>3,538,866</b>	<b>3,467,895</b>	<b>3,356,328</b>	<b>3,446,167</b>	<b>3,291,172</b>	<b>3,099,654</b>
<b>Business-type Activities:</b>										
Lottery	45,256	39,907	43,454	41,053	42,806	44,114	39,877	36,775	35,411	32,767
Clean Water State Revolving	12,345	9,638	8,290	9,673	9,879	10,898	16,406	11,109	4,455	4,777
Drinking Water State Revolving	10,314	7,511	9,031	8,651	9,352	10,337	10,936	11,964	5,066	3,253
Other	55,571	60,920	60,352	56,081	66,042	81,648	92,096	100,406	125,993	89,451
<b>Total business-type Activities Expenses</b>	<b>123,486</b>	<b>117,976</b>	<b>121,127</b>	<b>115,458</b>	<b>128,079</b>	<b>146,997</b>	<b>159,315</b>	<b>160,254</b>	<b>170,925</b>	<b>130,248</b>
<b>Total Primary Government Expenses</b>	<b>\$ 3,910,038</b>	<b>\$ 3,919,042</b>	<b>\$ 3,828,050</b>	<b>\$ 3,693,048</b>	<b>\$ 3,666,945</b>	<b>\$ 3,614,892</b>	<b>\$ 3,515,643</b>	<b>\$ 3,606,421</b>	<b>\$ 3,462,097</b>	<b>\$ 3,229,902</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	\$ 258,406	\$ 242,343	\$ 236,003	\$ 244,728	\$ 227,851	\$ 212,529	\$ 194,439	\$ 170,598	\$ 166,457	\$ 158,248
Education - Elementary, Secondary, and Vocational Schools	10,112	11,136	10,016	8,489	7,687	7,888	6,147	5,843	6,204	2,489
Health, Human, and Social Services	31,807	39,584	41,741	39,058	36,597	38,098	33,030	36,256	36,758	25,865
Law, Justice, Public Protection, and Regulation	85,139	85,221	82,456	85,252	76,048	80,750	66,235	60,555	57,213	50,888
Agriculture and Natural Resources	86,130	85,226	82,891	76,994	77,514	72,972	69,331	67,815	64,940	61,572
Economic Resources	845	433	452	1,611	3,789	3,064	3,268	1,332	1,796	2,379
Transportation	14,723	15,927	14,755	9,007	6,979	6,682	7,514	7,776	6,301	6,052
Operating Grants and Contributions	1,520,834	1,553,460	1,475,671	1,493,542	1,582,641	1,588,413	1,670,046	1,838,312	1,768,957	1,447,753
Capital Grants and Contributions	2,342	3,886	7,045	21,946	1,516	1,046	1,608	3,945	2,275	2,519
<b>Total Governmental Activities Program Revenues</b>	<b>2,010,338</b>	<b>2,037,216</b>	<b>1,951,030</b>	<b>1,980,627</b>	<b>2,020,622</b>	<b>2,011,442</b>	<b>2,051,618</b>	<b>2,192,432</b>	<b>2,110,901</b>	<b>1,757,765</b>
<b>Business-type Activities:</b>										
Charges for Services:										
Lottery	170,099	156,814	160,728	152,362	148,323	151,414	143,078	144,460	154,669	152,590
Clean Water State Revolving	7,213	6,963	6,899	6,856	6,019	5,277	5,677	6,014	5,781	4,954
Drinking Water State Revolving	4,740	4,519	4,333	4,197	4,327	4,321	4,922	4,807	3,997	3,696
Other	60,688	68,543	75,424	71,243	81,681	85,946	94,455	112,210	119,048	60,925
Operating Grants and Contributions	30,971	25,334	32,772	30,005	33,994	30,519	30,910	52,926	50,927	26,272
Capital Grants and Contributions	84	426	727	2,810						
<b>Total Business-type Activities Program Revenues</b>	<b>273,795</b>	<b>262,599</b>	<b>280,883</b>	<b>267,473</b>	<b>274,344</b>	<b>277,477</b>	<b>279,042</b>	<b>320,417</b>	<b>334,422</b>	<b>248,437</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 2,284,133</b>	<b>\$ 2,299,815</b>	<b>\$ 2,231,913</b>	<b>\$ 2,248,100</b>	<b>\$ 2,294,966</b>	<b>\$ 2,288,919</b>	<b>\$ 2,330,660</b>	<b>\$ 2,512,849</b>	<b>\$ 2,445,323</b>	<b>\$ 2,006,202</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (1,776,214)	\$ (1,763,850)	\$ (1,755,893)	\$ (1,596,963)	\$ (1,518,244)	\$ (1,456,453)	\$ (1,304,710)	\$ (1,253,735)	\$ (1,180,271)	\$ (1,341,889)
Business-type Activities	150,309	144,623	159,756	152,015	146,265	130,480	119,727	160,163	163,497	118,189
<b>Total Primary Government Net (Expense)/Revenue</b>	<b>\$ (1,625,905)</b>	<b>\$ (1,619,227)</b>	<b>\$ (1,596,137)</b>	<b>\$ (1,444,948)</b>	<b>\$ (1,371,979)</b>	<b>\$ (1,325,973)</b>	<b>\$ (1,184,983)</b>	<b>\$ (1,093,572)</b>	<b>\$ (1,016,774)</b>	<b>\$ (1,223,700)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes:										
Sales Taxes	\$ 1,025,111	\$ 991,155	\$ 905,475	\$ 871,402	\$ 858,001	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652
Motor Fuel Taxes	183,441	183,795	184,105	151,901	136,395	139,048	130,864	130,542	127,807	124,442
Contractors Excise Taxes	112,518	106,834	104,979	101,678	93,746	94,967	90,636	66,518	85,973	71,533
Bank Card and Franchise Taxes	31,448	32,844	25,943	20,669	23,943	49,493	32,941	16,954	16,674	55,260
Other Taxes	382,375	371,864	360,917	331,649	311,397	299,726	297,750	266,415	273,535	261,176
Investment Earnings	72,379	109,684	14,997	47,130	142,003	130,881	29,925	143,106	101,246	(91,586)
Gain on Sale of Capital Assets	1,737	1,463	2,057	1,198	2,726	2,127	3,915	819	526	919
Miscellaneous	110,159	80,500	89,493	81,275	133,988	76,047	51,652	41,519	36,625	52,288
Special Items					17,619					
Transfers	125,570	120,283	120,602	113,558	102,937	104,426	100,257	107,750	118,671	120,002
<b>Total Governmental Activities</b>	<b>2,044,738</b>	<b>1,998,422</b>	<b>1,808,568</b>	<b>1,720,460</b>	<b>1,822,755</b>	<b>1,699,415</b>	<b>1,516,942</b>	<b>1,515,078</b>	<b>1,424,203</b>	<b>1,269,686</b>
<b>Business-type Activities:</b>										
Transfers	(125,570)	(120,283)	(120,602)	(113,558)	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)
<b>Total Business-type Activities</b>	<b>(125,570)</b>	<b>(120,283)</b>	<b>(120,602)</b>	<b>(113,558)</b>	<b>(102,937)</b>	<b>(104,426)</b>	<b>(100,257)</b>	<b>(107,750)</b>	<b>(118,671)</b>	<b>(120,002)</b>
<b>Total Primary Government</b>	<b>\$ 1,919,168</b>	<b>\$ 1,878,139</b>	<b>\$ 1,687,966</b>	<b>\$ 1,606,902</b>	<b>\$ 1,719,818</b>	<b>\$ 1,594,989</b>	<b>\$ 1,416,685</b>	<b>\$ 1,407,328</b>	<b>\$ 1,305,532</b>	<b>\$ 1,149,684</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 268,524	\$ 234,572	\$ 52,675	\$ 123,497	\$ 304,511	\$ 242,962	\$ 212,232	\$ 261,343	\$ 243,932	\$ (72,203)
Business-type Activities	24,739	24,340	39,154	38,457	43,328	26,054	19,470	52,413	44,826	(1,813)
<b>Total Primary Government</b>	<b>\$ 293,263</b>	<b>\$ 258,912</b>	<b>\$ 91,829</b>	<b>\$ 161,954</b>	<b>\$ 347,839</b>	<b>\$ 269,016</b>	<b>\$ 231,702</b>	<b>\$ 313,756</b>	<b>\$ 288,758</b>	<b>\$ (74,016)</b>

Source: South Dakota Comprehensive Annual Financial Reports (FY 2009-2018). Previous years' amounts are not restated.

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

(Modified Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Fund (Per GASB 54):</b>										
Non-Spendable	\$ 6,097	\$ 6,458	\$ 4,193	\$ 3,911	\$ 3,629	\$ 3,419	\$ 2,916	\$ 3,148		
Restricted	3,300	3,300	8,384	10,479	8,264	1,018				
Committed										
Assigned	60,691	54,835	54,516	120,180	149,021	126,872	140,706	148,137		
Unassigned	268,052	249,087	242,449	183,570	159,403	186,444	147,445	136,018		
<b>Total General Fund</b>	<b>\$ 338,140</b>	<b>\$ 313,680</b>	<b>\$ 309,542</b>	<b>\$ 318,140</b>	<b>\$ 320,317</b>	<b>\$ 317,753</b>	<b>\$ 291,067</b>	<b>\$ 287,303</b>		
<b>Other Governmental Funds (Per GASB 54):</b>										
Non-Spendable	\$ 563,385	\$ 526,968	\$ 512,525	\$ 501,093	\$ 493,227	\$ 717,108	\$ 706,054	\$ 683,786		
Restricted	1,080,962	1,033,158	893,833	949,713	918,910	551,014	460,450	493,638		
Committed	36,863	38,940	43,652	51,119	46,766	43,993	38,930	36,844		
Assigned	17,514	29,404	27,022	27,633	34,339	49,758	43,815	34,684		
Unassigned	(11,758)	(5,742)	(5,048)	(3,624)	(5,040)	(1,462)	(2,931)	(18,859)		
<b>Total Other Governmental Funds</b>	<b>\$ 1,686,966</b>	<b>\$ 1,622,728</b>	<b>\$ 1,471,984</b>	<b>\$ 1,525,934</b>	<b>\$ 1,488,202</b>	<b>\$ 1,360,411</b>	<b>\$ 1,246,318</b>	<b>\$ 1,230,093</b>		
<b>General Fund (Prior to GASB 54):</b>										
Reserved								\$ 21,104	\$ 21,215	
Unreserved								133,962	131,363	
<b>Total General Fund</b>								<b>\$ 155,066</b>	<b>\$ 152,578</b>	
<b>Other Governmental Funds (Prior to GASB 54):</b>										
Reserved								\$ 873,931	\$ 872,653	
Unreserved, Reported in:										
Special Revenue Funds								332,270	232,200	
Capital Projects Funds								148	2,484	
<b>Total Other Governmental Funds</b>								<b>\$ 1,206,349</b>	<b>\$ 1,107,337</b>	

**Note:** The State of South Dakota implemented GASB Statement 54 in Fiscal Year 2011, which significantly changed the fund balance classifications. Fiscal Year 2018 fund balance classifications are not comparable to classifications to years prior to 2011.

**Source:** South Dakota Comprehensive Annual Financial Reports (FY 2009-2018).

**State of South Dakota**  
**Changes in Fund Balances, All Governmental Funds**  
**Last Ten Fiscal Years**  
(Modified Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues:</b>										
Taxes:										
Sales & Use	\$ 1,025,607	\$ 990,332	\$ 905,203	\$ 876,138	\$ 857,559	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652
Insurance Company	91,062	83,952	83,291	80,133	73,876	70,740	66,679	61,799	62,499	61,669
Liquor	17,135	15,994	17,580	16,356	15,988	15,835	14,519	14,953	14,247	14,782
Cigarette	49,729	52,149	52,081	52,776	51,616	51,940	50,704	46,700	62,918	56,607
Bank Franchise	31,462	32,800	25,412	20,669	23,943	49,493	32,941	16,954	16,674	55,260
Contractor's Excise	112,473	106,845	104,938	102,246	93,746	94,967	90,636	66,518	85,973	71,533
Severance	9,055	10,154	8,260	7,508	9,286	9,141	15,153	9,748	9,229	7,972
Other Tobacco	9,231	8,226	8,882	7,995	8,131	6,562	6,495	6,075	4,912	6,273
Motor Fuel & Vehicle	298,774	294,918	293,045	240,382	215,203	212,521	206,259	192,198	184,953	179,125
Other	90,854	90,251	81,993	78,434	73,688	72,018	68,807	65,482	62,584	59,190
Licenses, Permits & Fees	304,754	301,216	302,156	281,742	267,628	252,420	225,803	202,449	197,006	180,337
Fines, Forfeits & Penalties	13,347	14,400	12,647	14,516	10,781	16,189	13,490	12,142	11,306	11,327
Use of Money & Property	84,549	123,183	27,578	59,865	157,633	153,479	42,881	162,577	123,020	(77,407)
Sales & Services	44,973	44,916	39,797	42,531	39,712	37,679	34,290	32,499	32,659	35,114
Admin. Programs	1,493,062	1,546,964	1,464,030	1,503,362	1,567,027	1,573,326	1,657,602	1,820,205	1,745,559	1,434,664
Tobacco Settlement	46,000	24,302	24,582	23,421	26,561	24,128	24,135	23,673	25,175	29,986
Other Revenue	106,339	80,380	87,874	77,614	129,147	65,272	42,676	40,008	33,437	27,858
<b>Total Revenues</b>	<b>3,828,406</b>	<b>3,820,982</b>	<b>3,539,349</b>	<b>3,485,688</b>	<b>3,621,525</b>	<b>3,508,410</b>	<b>3,372,072</b>	<b>3,515,435</b>	<b>3,335,297</b>	<b>2,829,942</b>
<b>Expenditures:</b>										
General Government	102,803	94,658	99,874	87,785	87,409	74,394	73,714	70,493	71,532	76,533
Education	977,720	977,833	859,072	804,348	835,894	782,276	778,707	832,936	816,454	787,670
Health, Human & Social Services	1,516,592	1,487,068	1,428,259	1,435,850	1,387,821	1,364,933	1,351,100	1,350,402	1,364,846	1,222,021
Law, Justice, Public Protection & Regulation	272,661	283,053	268,818	281,688	320,080	280,691	303,237	311,583	263,499	240,601
Agriculture & Natural Resources	161,734	173,111	155,006	143,466	148,596	139,861	138,598	155,064	132,683	125,640
Economic Resources	43,978	52,432	56,202	74,182	40,062	43,108	40,553	50,986	52,872	44,940
Transportation	575,332	600,346	655,752	554,536	582,939	604,048	625,661	576,777	495,796	448,159
State Shared Revenue	187,573	176,836	173,721	169,514	161,564	141,514	122,320	100,493	103,425	99,064
Capital Outlay	8,182	1,023	1,017	2,038	2,541	387	4,773	4,381	2,336	2,172
Debt Service:										
Principal	14,962	15,583	16,415	17,272	20,973	30,059	25,622	22,225	22,958	26,951
Interest	7,563	8,647	9,177	9,261	10,206	13,896	16,219	17,504	18,550	20,174
Bond Issuance Costs	67	322	6	346	83	1,817				
Payment to Refunded Bond Escrow Agent					16,924	8,016				
<b>Total Expenditures</b>	<b>3,869,167</b>	<b>3,870,912</b>	<b>3,723,319</b>	<b>3,580,286</b>	<b>3,615,092</b>	<b>3,485,000</b>	<b>3,480,504</b>	<b>3,492,844</b>	<b>3,344,951</b>	<b>3,093,925</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(40,761)</b>	<b>(49,930)</b>	<b>(183,970)</b>	<b>(94,598)</b>	<b>6,433</b>	<b>23,410</b>	<b>(108,432)</b>	<b>22,591</b>	<b>(9,654)</b>	<b>(263,983)</b>
<b>Other Financing Sources (Uses):</b>										
Capital Leases	1,322	32,048		1,125	20,350	12,605	23,770	19,465		
Proceeds from Sale of Capital Assets	2,627	2,253	2,136	2,099	4,459	5,154	6,096	1,588	4,963	3,296
Insurance Proceeds	13	80	85		24		222		809	
Bonds Issued		44,305		13,410	4,500			9,505		2,175
Premiums on Bond Issuance		6,173		314				154		44
Proceeds of Refunding Bonds		1,405		10,408		169,645		801		
Premiums on Refunding Bonds		206		1,657		9,026		24		
Payments on Advance Refundings		(1,488)		(11,379)		(176,854)		(741)		
Transfers In	298,786	261,279	274,598	271,301	262,172	254,094	270,315	237,968	413,897	383,285
Transfers Out	(174,720)	(142,563)	(155,397)	(158,782)	(167,866)	(150,699)	(171,982)	(135,374)	(294,699)	(265,348)
<b>Net Other Financing Sources (Uses)</b>	<b>128,028</b>	<b>203,698</b>	<b>121,422</b>	<b>130,153</b>	<b>123,639</b>	<b>122,971</b>	<b>128,421</b>	<b>133,390</b>	<b>124,970</b>	<b>123,452</b>
<b>Net Change in Fund Balances</b>	<b>\$ 87,267</b>	<b>\$ 153,768</b>	<b>\$ (62,548)</b>	<b>\$ 35,555</b>	<b>\$ 130,072</b>	<b>\$ 146,381</b>	<b>\$ 19,989</b>	<b>\$ 155,981</b>	<b>\$ 115,316</b>	<b>\$ (140,531)</b>
Debt Service as a Percentage of Noncapital Expenditures	0.62%	0.69%	0.73%	0.79%	1.42%	1.63%	1.31%	1.21%	1.32%	1.60%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2009-2018). Previous years' amounts are not restated.

**State of South Dakota**  
**Sales Tax Revenue Payers by Industry**  
**Last Ten Fiscal Years**  
(Dollars Expressed in Thousands)

Fiscal Year 2018				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,313	3.53%	\$ 367,891	1.70%
Mining	216	0.23%	68,101	0.31%
Construction	534	0.57%	32,765	0.15%
Manufacturing	4,522	4.82%	1,065,841	4.91%
Transportation and Public Utilities	2,684	2.86%	2,938,739	13.54%
Wholesale Trade	7,417	7.90%	1,523,330	7.02%
Retail Trade	39,386	41.97%	11,100,575	51.15%
Finance, Insurance, and Real Estate	2,298	2.45%	476,306	2.20%
Services	33,417	35.61%	4,125,512	19.01%
Public Administration	65	0.07%	2,547	0.01%
Nonclassifiable Establishments		0.00%		0.00%
<b>Total</b>	<b>93,852</b>	<b>100.00%</b>	<b>\$ 21,701,607</b>	<b>100.00%</b>

Fiscal Year 2015				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,162	3.76%	\$ 297,936	1.45%
Mining	231	0.28%	105,773	0.51%
Construction	527	0.63%	27,123	0.13%
Manufacturing	3,939	4.69%	873,909	4.24%
Transportation and Public Utilities	2,697	3.21%	2,765,194	13.42%
Wholesale Trade	6,940	8.26%	1,617,613	7.85%
Retail Trade	31,642	37.65%	10,864,164	52.74%
Finance, Insurance, and Real Estate	2,136	2.54%	394,780	1.92%
Services	32,706	38.92%	3,650,026	17.72%
Public Administration	56	0.07%	2,390	0.01%
Nonclassifiable Establishments		0.00%		0.00%
<b>Total</b>	<b>84,036</b>	<b>100.00%</b>	<b>\$ 20,598,908</b>	<b>100.00%</b>

Fiscal Year 2012				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,274	4.05%	\$ 241,819	1.33%
Mining	218	0.27%	112,925	0.62%
Construction	469	0.58%	23,842	0.13%
Manufacturing	3,399	4.20%	788,163	4.33%
Transportation and Public Utilities	3,034	3.75%	2,422,870	13.30%
Wholesale Trade	7,186	8.88%	1,460,278	8.02%
Retail Trade	29,963	37.02%	9,764,051	53.61%
Finance, Insurance, and Real Estate	2,116	2.62%	308,237	1.69%
Services	31,216	38.57%	3,090,080	16.97%
Public Administration	56	0.07%	1,799	0.01%
Nonclassifiable Establishments		0.00%		0.00%
<b>Total</b>	<b>80,931</b>	<b>100.00%</b>	<b>\$ 18,214,064</b>	<b>100.00%</b>

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

Fiscal Year 2017			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,237	3.64%	\$ 348,540	1.68%
213	0.24%	63,973	0.31%
515	0.58%	31,077	0.15%
4,370	4.91%	958,294	4.61%
2,546	2.86%	2,833,338	13.63%
7,168	8.06%	1,438,813	6.92%
35,687	40.10%	10,789,651	51.89%
2,122	2.38%	451,550	2.17%
33,076	37.17%	3,873,304	18.63%
59	0.07%	3,920	0.02%
	0.00%		0.00%
<b>88,993</b>	<b>100.00%</b>	<b>\$ 20,792,460</b>	<b>100.00%</b>

Fiscal Year 2014			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,411	4.04%	\$ 287,680	1.44%
237	0.28%	118,587	0.59%
525	0.62%	31,241	0.16%
3,820	4.53%	902,791	4.52%
2,728	3.23%	2,769,521	13.86%
6,908	8.19%	1,514,416	7.58%
31,494	37.33%	10,571,228	52.91%
2,172	2.58%	384,474	1.92%
33,007	39.13%	3,396,424	17.00%
56	0.07%	2,029	0.01%
	0.00%		0.00%
<b>84,358</b>	<b>100.00%</b>	<b>\$ 19,978,391</b>	<b>100.00%</b>

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

Fiscal Year 2016			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,202	3.77%	\$ 338,993	1.60%
210	0.25%	71,002	0.34%
475	0.56%	26,495	0.13%
4,076	4.80%	917,873	4.34%
2,625	3.09%	2,767,864	13.09%
7,117	8.38%	1,618,465	7.65%
32,455	38.20%	11,137,027	52.66%
2,135	2.51%	432,211	2.04%
32,618	38.39%	3,835,074	18.14%
55	0.07%	2,799	0.01%
	0.00%		0.00%
<b>84,968</b>	<b>100.00%</b>	<b>\$ 21,147,803</b>	<b>100.00%</b>

Fiscal Year 2013			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,424	4.13%	\$ 253,605	1.34%
233	0.28%	102,408	0.54%
463	0.56%	25,832	0.14%
3,608	4.35%	778,735	4.12%
2,941	3.55%	2,556,524	13.54%
7,226	8.72%	1,403,736	7.43%
30,452	36.74%	10,162,245	53.81%
2,133	2.57%	367,556	1.95%
32,354	39.03%	3,231,543	17.11%
60	0.07%	4,082	0.02%
	0.00%		0.00%
<b>82,894</b>	<b>100.00%</b>	<b>\$ 18,886,266</b>	<b>100.00%</b>

Fiscal Year 2010			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,975	3.97%	\$ 206,139	1.27%
218	0.29%	62,308	0.38%
462	0.62%	20,345	0.13%
3,084	4.11%	592,309	3.65%
3,093	4.13%	2,536,794	15.64%
6,237	8.32%	1,131,812	6.98%
28,214	37.63%	8,588,168	52.95%
2,058	2.75%	307,204	1.89%
28,589	38.13%	2,773,413	17.10%
44	0.06%	1,584	0.01%
1	0.00%	6	0.00%
<b>74,975</b>	<b>100.00%</b>	<b>\$ 16,220,082</b>	<b>100.00%</b>

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

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, representing the largest source of funding for the General Fund.
- (b) Taxable sales: This is the amount of sales and use taxable sales of tangible personal property, services, and products delivered electronically which are subject to state tax or reservation tax unless specifically exempted. No Contractors Excise taxes are included.
- (c) Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- (d) Prior to June 1, 2016, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services. Beginning June 1, 2016, all items subject to the state sales tax will be taxed at 4.5% to conform to the HB 1182 passed during the 2016 Session. A use tax of the same rate as the sales tax rate was imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid. An excise tax of the same rate as the sales tax rate was imposed on farm machinery and amusement device tax.
- (e) The taxable figures could include amended returns that were due in prior periods.

**State of South Dakota**  
**Taxable Sales by Industry**  
**Last Ten Fiscal Years**  
(Dollars Expressed in Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
<b>Taxable Sales by Industry</b>					
Agriculture, Forestry, and Fishing	\$ 367,891	\$ 348,540	\$ 338,993	\$ 297,936	\$ 287,680
Mining	68,101	63,973	71,002	105,773	118,587
Construction	32,765	31,077	26,495	27,123	31,241
Manufacturing	1,065,841	958,294	917,873	873,909	902,791
Transportation and Public Utilities	2,938,739	2,833,338	2,767,864	2,765,194	2,769,521
Wholesale Trade	1,523,330	1,438,813	1,618,465	1,617,613	1,514,416
Retail Trade	11,100,575	10,789,651	11,137,027	10,864,164	10,571,228
Finance, Insurance, and Real Estate	476,306	451,550	432,211	394,780	384,474
Services	4,125,512	3,873,304	3,835,074	3,650,026	3,396,424
Public Administration	2,547	3,920	2,799	2,390	2,029
Nonclassifiable Establishments					
<b>Totals</b>	<b>\$ 21,701,607</b>	<b>\$ 20,792,460</b>	<b>\$ 21,147,803</b>	<b>\$ 20,598,908</b>	<b>\$ 19,978,391</b>
Direct Sales Tax Rate	4.50%	4.50%	4.50%	4.00%	4.00%

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

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

**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, representing the largest source of funding for the General Fund.
- (b) Taxable sales: This is the amount of sales and use taxable sales on tangible personal property, services, and products delivered electronically which are subject to state tax or reservation tax unless specifically exempted. No Contractors Excise taxes are included.
- (c) Whenever there are less than 3 licenses in any one classification, the information is combined into the "Nonclassifiable Establishments" category.
- (d) Prior to June 1, 2016, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services. Beginning June 1, 2016, all items subject to the state sales tax will be taxed at 4.5% to conform to the HB 1182 passed during the 2016 Session. A use tax of the same rate as the sales tax rate was imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid. An excise tax of the same rate as the sales tax rate was imposed on farm machinery and amusement device tax.
- (e) The taxable figures could include amended returns that were due in prior periods.

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

(Dollars Expressed in Thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental Activities:					
Revenue Bonds	\$ 176,322	\$ 192,360	\$ 157,847	\$ 174,764	\$ 177,303
Trust Certificates			280	570	880
Capital Leases	139,181	145,681	116,289	116,352	100,727
<b>Total Governmental Activities</b>	<b>315,503</b>	<b>338,041</b>	<b>274,416</b>	<b>291,686</b>	<b>278,910</b>
Business-type Activities:					
Revenue Bonds	287,206	230,912	247,852	263,818	207,448
<b>Total Business-type Activities</b>	<b>287,206</b>	<b>230,912</b>	<b>247,852</b>	<b>263,818</b>	<b>207,448</b>
<b>Total Primary Government</b>	<b>\$ 602,709</b>	<b>\$ 568,953</b>	<b>\$ 522,268</b>	<b>\$ 555,504</b>	<b>\$ 486,358</b>
South Dakota Total Personal Income (r)	\$ 43,511,400	\$ 42,455,300	\$ 41,788,600	\$ 41,550,300	\$ 39,823,300
Debt as a Percentage of Personal Income	1.4%	1.3%	1.2%	1.3%	1.2%
South Dakota Population (in thousands)(r)	877	870	862	854	849
Long-Term Debt per Capita	\$ 687.24	\$ 653.97	\$ 605.88	\$ 650.47	\$ 572.86

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental Activities:					
Revenue Bonds	\$ 191,295	\$ 227,586	\$ 250,376	\$ 260,168	\$ 280,501
Trust Certificates	13,595	16,490	19,250	21,895	24,435
Capital Leases	78,682	64,279	40,187	25,480	29,632
<b>Total Governmental Activities</b>	<b>283,572</b>	<b>308,355</b>	<b>309,813</b>	<b>307,543</b>	<b>334,568</b>
Business-type Activities:					
Revenue Bonds	212,523	222,705	174,218	126,510	131,097
<b>Total Business-type Activities</b>	<b>212,523</b>	<b>222,705</b>	<b>174,218</b>	<b>126,510</b>	<b>131,097</b>
<b>Total Primary Government</b>	<b>\$ 496,095</b>	<b>\$ 531,060</b>	<b>\$ 484,031</b>	<b>\$ 434,053</b>	<b>\$ 465,665</b>
South Dakota Total Personal Income (r)	\$ 37,990,700	\$ 37,522,200	\$ 36,636,000	\$ 33,512,300	\$ 31,681,800
Debt as a Percentage of Personal Income	1.3%	1.4%	1.3%	1.3%	1.5%
South Dakota Population (in thousands)(r)	843	833	823	816	807
Long-Term Debt per Capita	\$ 588.49	\$ 637.53	\$ 588.13	\$ 531.93	\$ 577.03

**Source:** Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2009-2018)  
Total Personal Income and Population data: US Bureau of Economic Analysis

- Note:**
- (a) South Dakota Total Personal Income figure for 2018 is preliminary.
  - (b) Detail about the State's debt can be found in Note 14 of the financial statements.
  - (c) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000.
  - (d) 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.
  - (r) Data for Total Personal Income for 2009-2017 has been revised.  
Data for South Dakota Population has been revised for fiscal years 2011 through 2017.

**State of South Dakota**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
(Dollars Expressed in Thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue Bonds and Trust Certificates										
- Building Authority										
Revenue - lease payments	\$ 7,019	\$ 8,071	\$ 8,607	\$ 8,898	\$ 12,654	\$ 13,569	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940
Less: Operating expenses										
<b>Net available revenue</b>	<b>\$ 7,019</b>	<b>\$ 8,071</b>	<b>\$ 8,607</b>	<b>\$ 8,898</b>	<b>\$ 12,654</b>	<b>\$ 13,569</b>	<b>\$ 14,646</b>	<b>\$ 15,052</b>	<b>\$ 15,276</b>	<b>\$ 15,940</b>
Debt service										
Principal	\$ 3,462	\$ 3,648	\$ 2,321	\$ 4,047	\$ 6,978	\$ 10,713	\$ 11,243	\$ 11,240	\$ 11,218	\$ 11,196
Interest	3,532	4,388	6,283	4,377	5,478	2,559	3,355	3,731	3,989	4,558
<b>Total</b>	<b>\$ 6,994</b>	<b>\$ 8,036</b>	<b>\$ 8,604</b>	<b>\$ 8,424</b>	<b>\$ 12,456</b>	<b>\$ 13,272</b>	<b>\$ 14,598</b>	<b>\$ 14,971</b>	<b>\$ 15,207</b>	<b>\$ 15,754</b>
Coverage	1.00	1.00	1.00	1.06	1.02	1.02	1.00	1.01	1.00	1.01
Revenue Bonds										
-Educational Enhancement Funding Corp.										
Revenue:										
Tobacco settlement	\$ 46,015	\$ 22,815	\$ 25,156	\$ 23,306	\$ 26,326	\$ 23,914	\$ 24,359	\$ 22,908	\$ 22,751	\$ 31,161
Investment Earnings	257	102	68	13	7	1,079	1,202	1,098	1,126	1,204
Less: Operating expenses						165	152	152	149	161
<b>Net available revenue</b>	<b>\$ 46,272</b>	<b>\$ 22,917</b>	<b>\$ 25,224</b>	<b>\$ 23,319</b>	<b>\$ 26,333</b>	<b>\$ 24,828</b>	<b>\$ 25,409</b>	<b>\$ 23,854</b>	<b>\$ 23,728</b>	<b>\$ 32,204</b>
Debt service										
Principal	\$ 11,500	11,935	12,535	13,225	13,995	18,800				
Interest	3,789	4,018	4,215	4,376	4,498	10,828	12,975	13,799	14,583	15,615
<b>Total</b>	<b>\$ 15,289</b>	<b>\$ 15,953</b>	<b>\$ 16,750</b>	<b>\$ 17,601</b>	<b>\$ 18,493</b>	<b>\$ 29,628</b>	<b>\$ 12,975</b>	<b>\$ 13,799</b>	<b>\$ 14,583</b>	<b>\$ 15,615</b>
Coverage	3.03	1.44	1.51	1.32	1.42	0.84	1.96	1.73	1.63	2.06
Revenue Bonds										
-Clean Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 27,944	\$ 28,764	\$ 28,998	\$ 26,637	\$ 25,502	\$ 24,394	\$ 29,078	\$ 43,202	\$ 16,789	\$ 16,089
Investment Income	4,605	4,181	4,192	3,900	3,988	3,402	3,494	3,259	2,722	2,600
Other Income	1,528	1,428	1,410	1,442	1,332	1,238	1,243	1,320	1,301	1,242
Less: Operating expenses	3,737	2,348	982	1,294	1,080	2,476	1,304	982	948	779
<b>Net available revenue</b>	<b>\$ 30,340</b>	<b>\$ 32,025</b>	<b>\$ 33,618</b>	<b>\$ 30,685</b>	<b>\$ 29,742</b>	<b>\$ 26,558</b>	<b>\$ 32,511</b>	<b>\$ 46,799</b>	<b>\$ 19,864</b>	<b>\$ 19,152</b>
Debt service										
Principal	\$ 10,125	\$ 9,875	\$ 9,290	\$ 7,580	\$ 7,415	\$ 6,110	\$ 4,320	\$ 3,665	\$ 2,820	\$ 2,730
Interest	7,862	6,821	7,088	6,663	5,361	5,578	4,063	3,188	2,872	2,562
<b>Total</b>	<b>\$ 17,987</b>	<b>\$ 16,696</b>	<b>\$ 16,378</b>	<b>\$ 14,243</b>	<b>\$ 12,776</b>	<b>\$ 11,688</b>	<b>\$ 8,383</b>	<b>\$ 6,853</b>	<b>\$ 5,692</b>	<b>\$ 5,292</b>
Coverage	1.69	1.92	2.05	2.15	2.33	2.27	3.88	6.83	3.49	3.62
Revenue Bonds										
-Drinking Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 21,007	\$ 17,634	\$ 23,042	\$ 25,234	\$ 19,597	\$ 19,956	\$ 34,599	\$ 31,338	\$ 13,987	\$ 12,824
Investment Income	3,233	2,930	3,104	2,639	3,148	2,558	2,351	1,987	1,681	1,780
Other Income	955	916	899	885	909	929	1,064	1,034	886	897
Less: Operating expenses	1,076	695	105	123	142	146	137	164	213	57
<b>Net available revenue</b>	<b>\$ 24,119</b>	<b>\$ 20,785</b>	<b>\$ 26,940</b>	<b>\$ 28,635</b>	<b>\$ 23,512</b>	<b>\$ 23,297</b>	<b>\$ 37,877</b>	<b>\$ 34,195</b>	<b>\$ 16,341</b>	<b>\$ 15,444</b>
Debt service										
Principal	\$ 6,075	\$ 5,925	\$ 5,535	\$ 4,475	\$ 4,380	\$ 4,050	\$ 2,845	\$ 2,495	\$ 1,815	\$ 1,745
Interest	2,409	2,116	2,255	2,276	2,155	2,284	2,676	2,517	2,281	2,223
<b>Total</b>	<b>\$ 8,484</b>	<b>\$ 8,041</b>	<b>\$ 7,790</b>	<b>\$ 6,751</b>	<b>\$ 6,535</b>	<b>\$ 6,334</b>	<b>\$ 5,521</b>	<b>\$ 5,012</b>	<b>\$ 4,096</b>	<b>\$ 3,968</b>
Coverage	2.84	2.58	3.46	4.24	3.60	3.68	6.86	6.82	3.99	3.89

**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 Corporation, all turbo redemptions are excluded from this calculation.
  - (c) All funds are presented on an accrual basis except for the Building Authority Fund which is presented on a cash basis.



## **POPULATION** *(Expressed in Thousands)*

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>WEST N. CENTRAL*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2017	325,719	0.7 %	21,294	0.5 %	870	0.9 %
2016r	323,406	0.7 %	21,180	0.5 %	862	0.9 %
2015r	321,040	0.8 %	21,083	0.5 %	854	0.6 %
2014r	318,623	0.8 %	20,985	0.5 %	849	0.7 %
2013r	316,235	0.7 %	20,873	0.6 %	843	1.2 %
2012r	313,993	0.8 %	20,749	0.5 %	833	1.2 %
2011r	311,644	0.7 %	20,639	0.5 %	823	0.9 %
2010r	309,338	0.8 %	20,536	0.7 %	816	1.1 %
2009	306,772	0.9 %	20,393	0.7 %	807	1.0 %
2008	304,094	1.9 %	20,249	1.5 %	799	2.0 %

**Note:** Midyear (July 1) population estimates. Revised estimates for 2010 through 2016. With each new release of July 1 population estimates, the Census Bureau Revises estimates for years back to the last census.

r = Revised Estimates

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

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, Last Updated September 2018

## **TOTAL PERSONAL INCOME** *(Dollars Expressed in Millions)*

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>PLAINS*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2017	\$ 16,820,250	4.4 %	\$ 1,047,115	3.0 %	\$ 42,455	1.6 %
2016r	16,115,630	2.6 %	1,016,405	1.3 %	41,789	0.6 %
2015r	15,711,634	4.9 %	1,003,740	3.3 %	41,550	4.3 %
2014r	14,983,140	5.7 %	971,530	4.3 %	39,823	4.8 %
2013r	14,175,503	1.3 %	931,393	1.1 %	37,991	1.2 %
2012r	13,998,383	5.1 %	921,647	5.7 %	37,522	2.4 %
2011r	13,315,478	6.2 %	872,003	7.3 %	36,636	9.3 %
2010r	12,541,995	4.1 %	812,922	3.7 %	33,512	5.8 %
2009r	12,051,307	(3.1)%	784,028	(2.9)%	31,682	(2.9)%
2008r	12,438,527	9.3 %	807,194	12.9 %	32,633	18.4 %

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

r = Revised Estimates

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

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, Last Updated September 2018

## ***UNEMPLOYMENT RATE***

<b>YEAR</b>	<b>SOUTH DAKOTA</b>	<b>UNITED STATES</b>
2017	3.3%	4.4%
2016	3.0%	4.9%
2015	3.1%	5.3%
2014	3.4%	6.2%
2013	3.8%	7.4%
2012	4.3%	8.1%
2011	4.7%	8.9%
2010	5.0%	9.6%
2009	4.9%	9.3%
2008	3.1%	5.8%

**Source:** SD Dept. Of Labor and Regulation, Labor Market Information

## ***PER CAPITA PERSONAL INCOME***

<b>YEAR</b>	<b>UNITED STATES</b>	<b>PERCENT CHANGE</b>	<b>PLAINS*</b>	<b>PERCENT CHANGE</b>	<b>SOUTH DAKOTA</b>	<b>PERCENT CHANGE</b>
2017	\$ 51,640	3.6 %	\$ 49,174	2.5 %	\$ 48,818	0.6 %
2016r	49,831	1.8 %	47,990	0.8 %	48,504	(0.3)%
2015r	48,940	4.1 %	47,610	2.8 %	48,652	3.8 %
2014r	47,025	4.9 %	46,297	3.8 %	46,881	4.0 %
2013r	44,826	0.5 %	44,622	0.5 %	45,092	0.1 %
2012r	44,582	4.3 %	44,418	5.1 %	45,068	1.3 %
2011r	42,727	5.4 %	42,251	6.7 %	44,497	8.4 %
2010r	40,545	3.2 %	39,586	3.0 %	41,058	4.6 %
2009r	39,284	(4.0)%	38,447	(3.6)%	39,255	(3.9)%
2008r	40,904	7.2 %	39,864	11.2 %	40,836	16.0 %

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

r = Revised Estimates

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

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, Last Updated September 2018

**NONFARM WAGE AND SALARIED EMPLOYMENT BY INDUSTRY<sup>1</sup>**  
(Expressed in Thousands)

	2018p	2017r	2016r	2015r	2014r	2013r	2012r	2011r	2010	2009
Natural Resources/Mining/Construction	24.3	23.4	23.7	23.1	22.2	21.4	21.1	21.1	21.0	21.8
Manufacturing	44.6	43.1	42.2	42.6	42.3	41.5	41.2	39.2	36.9	37.7
Trade/Transportation/Utilities	86.7	86.9	88.2	87.5	85.8	83.7	83.0	81.7	80.6	80.7
Wholesale Trade	20.9	20.9	21.2	21.2	20.8	19.9	19.5	19.0	18.6	18.3
Retail Trade	52.0	52.8	53.7	52.9	51.9	51.1	51.0	50.2	49.5	49.6
Trans/Warehousing/Util	13.8	13.2	13.3	13.4	13.1	12.6	12.5	12.6	12.5	12.8
Information	5.7	5.7	5.8	5.9	6.0	6.0	6.2	6.4	6.5	6.7
Financial Activities	29.6	29.3	29.3	29.7	29.7	29.7	28.6	28.1	28.9	30.4
Professional/Business Svcs.	33.0	31.3	31.2	30.6	30.3	29.5	29.2	28.7	27.5	26.9
Educational/Health Services	72.3	72.0	70.3	69.1	68.3	68.0	67.1	65.3	64.5	63.2
Leisure and Hospitality	47.5	46.8	46.7	46.2	45.4	44.7	44.3	43.4	43.0	42.9
Other Services (Except Public Administration)	17.3	16.8	16.6	16.3	16.1	16.2	16.0	15.7	15.6	15.7
Government	79.9	79.3	78.5	77.8	77.8	77.3	77.5	78.0	78.7	77.8
<b>TOTAL</b>	<b>440.9</b>	<b>434.6</b>	<b>432.5</b>	<b>428.8</b>	<b>423.9</b>	<b>417.9</b>	<b>414.2</b>	<b>407.7</b>	<b>403.2</b>	<b>403.7</b>
% Change in Nonfarm Employment	1.5%	0.5%	0.9%	1.2%	1.4%	0.9%	1.6%	1.1%	-0.1%	-1.9%

**Note:** Numbers may not add due to rounding. Data not seasonally adjusted.

<sup>1</sup> Based on North American Industry Classification System (NAICS)

p = Preliminary Data

r = Revised Data

**Source:** Labor Market Information Center (LMIC) in cooperation with the U.S. Bureau of Labor Statistics

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

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2017	207	\$ 387.8	4	\$ 9.3	211	\$ 397.1
2016	163	256.6	2	0.6	165	257.2
2015	330	406.5	2	3.4	332	409.9
2014	352	459.4	8	16.3	360	475.7
2013	283	278.6	8	204.7	291	483.3
2012	406	403.3	3	0.0	409	403.3
2011	367	276.5	4	0.9	371	277.4
2010	323	111.2	12	0.3	335	111.5
2009	398	215.5	9	0.0	408	215.5
2008	522	342.3	13	59.5	535	401.8

**Note:** Only manufacturing and processing companies are included in the above totals.

**Source:** Governor's Office of Economic Development - December 2017

**State of South Dakota**

**Top Ten Employers**

**2018 as Compared to 2009**

<b>2018 Rank</b>	<b>Employer</b>	<b>South Dakota Employees</b>	<b>Percentage of Total South Dakota Employment</b>
1	Avera Medical	12,900	3.0%
2	Federal Government	11,671	2.8%
3	Sanford Medical	11,138	2.6%
4	Sioux Falls MSA Local Government *	10,686	2.5%
5	South Dakota State Government	9,387	2.2%
6	Rapid City MSA Local Government **	6,649	1.6%
7	SD Board of Regents	6,454	1.5%
8	Walmart Associates	5,220	1.2%
9	Rapid City Regional Hospital Inc.	5,000	1.2%
10	Hy-Vee Food Store Inc.	4,645	1.1%
<b>Total Top Ten Employers</b>		<b>83,750</b>	<b>19.8%</b>
<b>Total SD Employment 2018***</b>		<b>423,697</b>	

\* Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha, and Turner.

\*\* Rapid City MSA includes the following counties: Custer, Meade, and Pennington.

\*\*\* SD Employment last 3 quarters of 2017 and first quarter of 2018

**Source:** Prepared by the Labor Market Information Center (LMIC), South Dakota Department of Labor and Regulation in October 2018 using second quarter 2018 employment data from the Quarterly Census Employment and Wages (QCEW).

Only employment covered by unemployment insurance is included in the QCEW program.

<b>2009 Rank</b>	<b>Employer</b>	<b>South Dakota Employees</b>	<b>Percentage of Total South Dakota Employment</b>
1	South Dakota State Government*	14,349	3.7%
2	Federal Government (Statewide)	11,649	3.0%
3	Sioux Falls MSA Local Government**	8,574	2.2%
4	Sanford System-Wide (SD)	8,522	2.2%
5	Avera System-Wide (SD)	7,205	1.9%
6	Sanford Health - (SF)	6,424	1.6%
7	Rapid City MSA Local Government**	6,002	1.5%
8	Wal-Mart (SD)	4,844	1.2%
9	Rapid City Regional Health System-Wide (SD)	4,400	1.1%
10	Avera McKennan Hospital (SF)	4,290	1.1%
<b>Total SD Employment 2009</b>		<b>76,259</b>	<b>19.6%</b>
		<b>389,369</b>	

\* Includes Primary Government, Higher Education, and all other Component Units of the State.

\*\* 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.

**Source:** 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).

Only employment covered by unemployment insurance is included in the QCEW program.

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

Function of State Government:	Fiscal Year				
	2018	2017	2016	2015	2014
General Government	1,028	1,020	1,018	998	983
Health, Human, and Social Services	2,958	2,991	2,936	3,007	2,999
Law, Justice, Public Protection, and Regulation	2,129	2,130	2,186	2,215	2,223
Agriculture and Natural Resources	944	948	939	943	929
Transportation	1,000	998	976	977	980
Education	177	180	176	178	128
Economic Resources	125	124	156	158	198
<b>State Total</b>	<b>8,361</b>	<b>8,391</b>	<b>8,387</b>	<b>8,476</b>	<b>8,440</b>

Function of State Government:	Fiscal Year				
	2013	2012	2011	2010	2009
General Government	970	967	1,003	1,020	1,019
Health, Human, and Social Services	3,009	3,004	3,040	3,121	3,064
Law, Justice, Public Protection, and Regulation	2,186	2,142	2,160	2,130	2,119
Agriculture and Natural Resources	941	925	938	942	918
Transportation	978	965	987	1,004	1,000
Education	130	132	133	135	130
Economic Resources	197	170	264	257	199
<b>State Total</b>	<b>8,411</b>	<b>8,305</b>	<b>8,525</b>	<b>8,609</b>	<b>8,449</b>

**Source:** State's Budget System RB16 - June 30, 2018

**Note:**

(a) A full-time equivalent employee, or FTE, represents one full-time position, or a number of part-time or seasonal positions.

**State of South Dakota  
Capital Asset Statistics by Function  
Last Ten Fiscal Years**

	Fiscal Year			
	2018	2017	2016	2015
<b>General Government</b>				
Vehicles	2,948	2,908	2,987	2,904
Land (Acres)	761,465	760,743	760,806	760,806
Equipment	1,382	1,386	1,427	1,406
Buildings	22	22	23	22
Infrastructure	0	0	0	0
<b>Health, Human, and Social Services</b>				
Vehicles	7	7	7	7
Land (Acres)	584	710	763	799
Equipment	665	650	667	651
Buildings	84	89	89	92
Infrastructure	0	0	0	0
<b>Law, Justice, Public Protection, and Regulation</b>				
Vehicles	361	361	332	317
Land (Acres)	1,512	1,504	1,504	1,510
Equipment	1,196	1,180	1,090	1,047
Buildings	135	157	156	159
Infrastructure	0	0	0	0
<b>Agriculture and Natural Resources</b>				
Vehicles	369	378	389	392
Land (Acres)	363,222	362,876	361,821	360,938
Equipment	1,668	1,647	1,617	1,576
Buildings	120	96	76	73
Infrastructure	0	0	0	0
<b>Transportation</b>				
Vehicles	1,301	1,281	1,287	1,279
Land (Acres)	3,177	3,199	3,213	3,217
Land, ROW Roads	\$ 103,939,192	\$ 97,004,207	\$ 95,308,778	\$ 93,472,606
Land Improvements, Roads	\$ 527,033,832	\$ 527,033,832	\$ 523,392,571	\$ 520,147,538
Equipment	4,066	3,917	3,806	3,661
Buildings	203	199	193	183
Infrastructure				
-Roads: Lane Miles	8,850	8,850	8,861	8,862
-Bridges: Number of	1,796	1,796	1,795	1,799
-Railroads: Track Miles	530	530	530	530
<b>Education</b>				
Vehicles	0	0	0	0
Land (Acres)	284	284	284	184
Equipment	81	86	78	25
Buildings	32	34	27	27
Infrastructure	0	0	0	0
<b>Economic Resources</b>				
Vehicles	0	0	0	0
Land (Acres)	6	0	0	0
Equipment	1	3	3	47
Buildings	0	0	0	1
Infrastructure	0	0	0	0

**Source:** Survey conducted by BFM of the department's finance personnel and the Fixed Asset System.

Fiscal Year					
2014	2013	2012	2011	2010	2009
2,929	2,862	2,852	2,949	2,743	2,683
760,806	760,804	760,828	760,828	760,828	760,828
1,367	1,388	1,406	1,296	1,275	1,291
19	15	17	17	16	15
0	0	0	0	0	0
7	8	8	8	7	7
799	777	710	710	710	906
604	610	590	554	539	479
93	48	47	47	46	46
0	0	0	0	0	0
320	339	324	320	312	281
1,510	1,484	1,387	2,066	2,067	2,313
940	932	826	762	682	596
156	71	74	74	76	68
0	0	0	0	0	0
373	373	377	365	340	309
360,323	360,137	360,039	360,039	352,128	350,245
1,509	1,490	1,457	1,357	1,292	1,208
65	55	52	52	53	48
0	0	0	0	0	0
1,250	1,183	1,206	1,268	1,241	1,149
3,206	3,294	3,498	3,618	3,747	3,891
\$ 92,796,015	\$ 92,689,993	\$ 89,954,671	\$ 86,389,686	\$ 84,159,719	\$ 76,597,880
\$ 514,620,856	\$ 512,129,195	\$ 512,129,195	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674
3,415	3,211	3,081	3,043	2,828	2,603
175	115	109	104	102	98
8,850	8,850	8,858	8,858	8,858	8,862
1,796	1,798	1,799	1,805	1,803	1,809
530	530	513	513	513	513
0	0	0	0	0	0
77	77	77	45	45	33
24	17	11	15	24	30
27	26	22	22	22	22
0	0	0	0	0	0
0	1	2	2	2	1
0	0	0	0	0	0
49	45	42	48	49	36
1	0	0	0	0	0
0	0	0	0	0	0

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

General Government	Fiscal Year		
	2018	2017	2016
Executive Management			
Bureau of Finance and Management			
Complete Governors Budget Book	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual
Bureau of Information and Telecommunications			
SDPB Local Production (Hours)	3,239	3,110	3,271
Radio Calls through Digital Network	27,038,877	24,549,762	29,858,306
Bureau of Human Resources			
Health: Employees, COBRA, Retirees/Dependents	13,240 / 14,179	13,264 / 13,730	13,242 / 13,418
Bureau of Administration			
Pieces of Mail Handled/Year	7,254,250	7,448,095	7,536,209
Total Miles Driven	37,677,337	38,898,000	38,344,195
Revenue			
Total Active Business Licenses	85,147	84,242	82,640
Vehicles Registered	1,533,549	1,484,111	1,519,080
Misc. Special Tax Licenses	6,757	6,663	6,612
Lottery			
Licensed Lottery Retailers--Instant Only	13	13	13
Licensed Lottery Retailers--On-line	636	632	610
Legislature			
Auditor General			
Audits Performed	53	54	54
Audits Reviewed (IPA reports)	316	351	333
School and Public Lands			
Apportion Common School Interest Fund and Income to School Districts (Thousands)	\$ 11,282	\$ 10,196	\$ 10,227
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions (Thousands)	\$ 2,642	\$ 2,410	\$ 2,267
Secretary of State			
Business and Secured Transaction Filings	125,600	112,454	121,302
State Treasurer			
Cash Receipts (Thousands)	\$ 5,205,064	\$ 5,197,293	\$ 4,955,107
Unclaimed Property - Claims Paid	5,822	3,162	5,127
State Auditor			
Vouchers Audited	281,596	279,250	288,653
Warrants Written	250,707	257,678	270,702
<b>Health, Human, and Social Services</b>			
Social Services			
Medicaid Enrolled/Month	118,338	119,619	118,674
Long Term Care Services - Clients Served	3,723	3,702	3,867
Health			
Public Health Investigations	21,187	16,999	13,224
Labor			
State Labor Force	457,835	455,475	453,175
Unemployment Rate	3.30%	2.90%	2.80%
South Dakota Retirement System			
Budget Compared to Assets	0.040%	0.040%	0.040%
Budget Compared to Benefits	0.860%	0.860%	0.860%
Veterans Benefits and Services			
South Dakota Veteran Population	66,811	72,000	72,000
State Veterans' Home			
Average Daily Census	94	94	96
Human Services			
People with Developmental Disabilities Served	3,105	3,092	3,103
People with Mental Illness Served	17,866	17,169	17,194
People with Substance Abuse Issues Served	12,351	12,003	12,297
People Receiving Vocational Rehabilitation Services	5,581	5,608	5,484



Fiscal Year						
2015	2014	2013	2012	2011	2010	2009
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
3,760	3,735	3,656	2,056	2,456	1,528	1,480
27,888,987	26,319,746	26,968,003	26,052,239	24,122,503	22,188,596	21,468,474
13,328 / 13,360	13,413 / 13,426	13,296 / 13,305	13,234 / 13,008	13,372 / 12,488	13,427 / 11,876	13,316 / 11,568
7,720,306	7,719,049	8,047,767	8,631,113	8,991,825	9,274,640	9,687,084
38,848,323	38,241,658	38,739,712	38,755,956	37,663,512	37,506,764	37,136,509
80,779	80,236	81,047	80,130	78,399	78,919	76,367
1,425,379	1,258,147	1,402,128	1,081,516	1,156,109	1,137,621	1,113,254
5,228	5,372	5,430	5,333	5,332	5,346	5,298
12	12	12	12	13	14	129
608	600	597	591	584	579	480
46	56	49	73	59	58	59
326	322	338	327	356	349	286
\$ 9,969	\$ 8,774	\$ 7,422	\$ 7,433	\$ 8,274	\$ 8,672	\$ 10,997
\$ 2,104	\$ 1,500	\$ 1,991	\$ 1,957	\$ 1,629	\$ 1,905	\$ 1,990
120,807	151,658	100,492	92,608	90,291	91,288	97,572
\$ 4,917,575	\$ 4,883,829	\$ 4,621,725	\$ 4,667,076	\$ 4,435,684	\$ 4,196,085	\$ 3,812,475
4,500	10,024	3,973	2,992	4,619	7,390	6,113
290,861	297,649	289,083	291,219	293,522	288,997	283,596
298,293	306,344	318,863	400,307	433,121	451,581	473,409
117,346	115,328	116,128	115,731	114,405	111,005	104,520
3,977	4,051	4,053	4,138	4,276	4,346	4,347
13,750	13,875	12,618	10,386	10,379	15,292	12,365
450,900	450,660	446,990	444,805	444,980	442,940	447,275
3.50%	3.70%	4.30%	4.50%	4.90%	5.00%	4.10%
0.040%	0.040%	0.040%	0.042%	0.053%	0.057%	0.063%
0.870%	0.890%	0.870%	0.900%	1.120%	1.140%	1.180%
75,000	75,000	75,000	72,000	72,000	72,400	73,500
121	113	118	130	129	132	129
3,104	3,078	3,032	2,970	2,899	2,837	2,814
16,653	16,142	16,110	15,572	14,915	13,998	13,261
11,525	11,579	12,305	14,307	14,893	15,131	15,338
5,299	5,798	6,166	6,477	6,224	5,710	5,606

**State of South Dakota**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years (continued)**

	Fiscal Year		
	2018	2017	2016
<b>Law, Justice, Public Protection, and Regulation</b>			
Corrections			
Adult System ADP (Average Daily Population)	3,949	3,844	3,613
Avg. Daily Population on Supervision	2,573	2,480	2,345
Juvenile Institutional and Placement ADP	231	316	482
Unified Judicial System			
Felony Offenses Filings/Pending	12,259 / N/A	11,512 / N/A	10,800 / N/A
Class One Misdemeanor Filings/Pending	22,144 / N/A	21,884 / N/A	22,055 / N/A
Class Two Misdemeanor Filings/Pending	115,784 / N/A	114,231 / N/A	114,445 / N/A
Attorney General			
New Cases Opened/Closed/Pending (Thousands)	1.4 / 1.7 / 2.3	1.0 / 2.0 / 2.0	2.1 / 1.8 / 2.1
Investigations Conducted by DCI	935	963	1,063
Public Safety			
Patrol of Public Highways (Percentage)	59%	55%	59%
Patrol of Public Highways (Hours)	N/A	N/A	N/A
Driver Licenses Issued	196,733	196,780	203,012
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,148	3,163	3,130
Assigned Strength of the Air Guard	1,051	1,037	1,040
Appraiser Program			
New / Renewed Licenses	14 / 387	19 / 378	36 / 410
Revenue Financial Services			
Banking Institutions Examined	N/A	N/A	N/A
Dealer, Broker & Investment Advisor			
Agents Licensed	100,956	96,156	96,262
Renewed & Issued Insurance			
Appointments/Licenses	360,232	326,870	295,526
Revenue Boards and Commissions			
New & Renewed Licenses Issued	6,939	6,688	7,161
Public Utilities Commission			
Dockets Opened	183	152	154
<b>Agriculture and Natural Resources</b>			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	731 / 65,659	748 / 74,228	614 / 17,359
Dairy Inspections	434	635	604
Marketing Consultations	N/A	N/A	N/A
Insect & Disease Individual Assists	412	317	305
Game, Fish and Parks			
Total Park Visitations	7,646,131	7,729,787	7,509,840
Acres of Walk-In Areas	1,355,000	1,331,000	1,392,000
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans	66.1 M / 66	121.6 M / 91	77.5 M / 106
Total Number of Regulated Facilities	29,225	29,108	29,186
Petroleum Release Compensation			
Petroleum Release Cases Initiated	30	42	55
Abandoned Tank Site Cases Initiated	39	45	57
<b>Transportation</b>			
Transportation			
Percent of Non-interstate State Highway System			
Main Lane Pavement Mileage Rated Good or Better on Condition Index	86	83	82
Percent of Interstate Pavement in Excellent Condition Based on Condition Index	50	50	45
<b>Education</b>			
Student K-12 Public School Fall Enrollment	133,861	132,520	130,936
<b>Economic Resources</b>			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 400.9	\$ 257.2	\$ 400.0
New Jobs Created (Calendar Year)	1,138	163	3,000
Tourism's Impact on South Dakota Economy (Billions)	\$ 2.64	\$ 2.46	\$ 2.36

Source: State's Budget System and/or survey of department finance personnel.  
N/A= Not Applicable

Fiscal Year						
2015	2014	2013	2012	2011	2010	2009
3,610	3,645	3,637	3,565	3,479	3,490	3,428
2,315	2,297	2,473	2,418	2,452	2,385	2,311
650	649	688	526	459	446	497
10,392 / N/A	9413 / N/A	6856 / N/A	7225 / N/A	6,456 / N/A	6,126 / N/A	5,745 / 7,249
20,979 / N/A	20,518 / N/A	22,720 / N/A	21,690 / N/A	19,929 / N/A	20,141 / N/A	21,896 / 23,039
112,323 / N/A	105,213 / N/A	111,461 / N/A	117,594 / N/A	112,853 / N/A	124,965 / N/A	134,617 / 44,143
1.9 / 2.0 / 1.9	2.2 / 2.9 / 1.5	1.2 / 2.2 / 1.6	.85 / 2.1 / 1.5	1.0 / 1.3 / 2.5	.8 / 1.3 / 2.3	.8 / 1.1 / 2.1
1,062	1,077	1,013	1,012	902	867	772
54%	60%	45%	46%	45%	N/A	N/A
N/A	N/A	N/A	N/A	131,508	130,700	130,503
198,279	156,731	198,733	201,766	198,871	176,153	150,056
3,165	3,204	3,220	3,266	3,420	3,441	3,391
1,050	1,044	1,030	1,038	1,057	1,103	1,108
11 / 380	10 / 368	20 / 399	15 / 383	11 / 381	18 / 354	17 / 372
N/A	542	534	563	562	538	538
91,545	86,131	81,567	79,886	77,038	62,262	61,995
282,241	269,568	286,078	243,465	270,412	269,361	254,327
6,708	7,102	7,137	7,517	6,853	8,191	7,425
193	240	265	238	143	178	199
642 / 53,145	451 / 11,421	1,253 / 148,604	1,267 / 123,484	468 / 7,100	398 / 10,335	337 / 5,803
500	520	713	831	956	1,078	1,444
N/A	N/A	390	375	375	385	360
279	288	491	354	307	333	400
7,605,595	8,115,000	8,091,937	7,682,751	7,469,331	7,785,508	7,638,828
1,389,734	1,270,000	1,277,000	1,271,743	1,300,000	1,250,000	1,201,430
118.3 M / 113	78.9M / 95	88.8M / 108	96.4M / 129	119.1M / 155	80.6M / 109	100M / 129
28,359	28,740	27,820	27,331	26,679	26,365	26,328
60	45	120	95	62	64	70
62	100	81	45	36	45	53
90	89	88	93	88	85	84
53	46	45	53	33	31	45
129,772	128,924	127,169	125,152	123,629	122,055	121,015
\$ 475.0	\$ 300.0	\$ 400.0	\$ 282.0	\$ 118.0	\$ 217.0	\$ 401.8
3,300	4,000	3,000	4,248	4,462	3,298	3,952
\$ 1.99	\$ 1.98	\$ 1.95	\$ 1.86	\$ 1.76	\$ 2.42	\$ 2.74





