

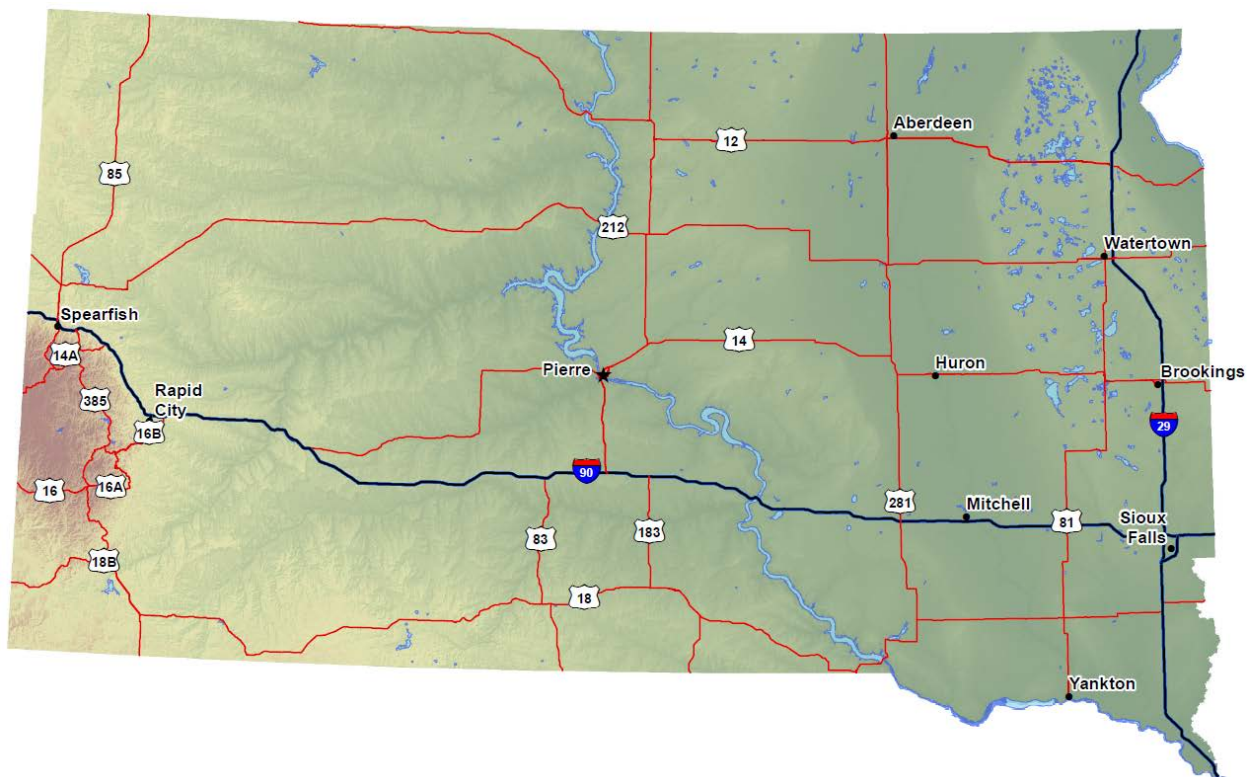
South Dakota

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2017**



*COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017*



DENNIS DAUGAARD, GOVERNOR

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STATE OF SOUTH DAKOTA
DENNIS DAUGAARD, GOVERNOR



December 29, 2017

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

As Governor of the great state of South Dakota, I take very seriously our obligation and responsibility to provide timely and accurate financial reporting. Therefore, it gives me great pleasure to present the State's 31st *Comprehensive Annual Financial Report* covering operations for the fiscal year ending June 30, 2017. 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.

South Dakota's economy continues to diversify and grow at a steady pace due to a low tax burden and favorable business climate. In fiscal year 2017, the state's nonfarm employment expanded by more than 5,300 jobs, or an increase of 1.3 percent. Employment sectors that contributed to this growth included construction, healthcare, education, leisure, hospitality, and business services. In addition to the growth in nonfarm employment, the unemployment rate remained among the lowest in the nation and nonfarm income grew at a rate higher than the national average.

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

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

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

Sincerely,

Dennis Daugaard

South Dakota



GREAT FACES. GREAT PLACES. ©

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INTRODUCTORY SECTION



INTRODUCTORY SECTION



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December 29, 2017

The Honorable Dennis M. Dugaard, Governor 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 31st *Comprehensive Annual Financial Report* (CAFR) for the State of South Dakota (the State) for the fiscal year ended June 30, 2017.

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 2017 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 the 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, 2017, and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

In conjunction with the audit of the State's financial statements, the 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 of South Dakota 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 the 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 39th or 40th state (with its twin, North Dakota). South Dakota has 75,885 square miles of land and a population estimated to be 0.9 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 2017 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 received AAA public issuer rating from Standard & Poor's, Fitch Ratings, and Moody's. 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, 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 of South Dakota, 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 of South Dakota. 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 website at <https://bfm.sd.gov>.

- **Balanced Budget.** South Dakota can proudly say that fiscal year 2017 was the 127th consecutive year the State had a balanced budget. We have 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 prudently maintained a 10% reserve of rainy day funds while using the excess to address emergencies and prepay liabilities. The State has two statutorily created reserve accounts: the General Fund Budget Reserve and the General Revenue Replacement Fund. The combined accrual basis balance of these two reserve accounts for fiscal years 2011 through 2016 was \$111.2 million, \$139.0 million, \$163.1 million, \$153.4 million, \$171.3 million, and \$157.4 million, respectively, and, \$165.3 million for fiscal year 2017. The General Fund Budget Reserve increased from \$113.4 million to \$121.3 million (on an accrual basis), while the General Revenue Replacement Fund remained unchanged at \$44.0 million. The \$7.9 million increase was a result of \$15.5 million of underspent general fund budgets offset by \$7.6 million of lower than expected revenues. The \$165.3 million combined reserve balances is approximately 10.4% of the fiscal year 2017 General Fund total expenditures.
- **Financially Sound and Well-funded Retirement System.** South Dakota has one of the strongest pension plans in the nation. 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 systems. SDRS's funded ratio based on market value of assets for June 30, 2014, 2015, 2016, and 2017 was 107.3%, 104.1%, 96.6%, and 100.1%. That is compared to an estimated 77%, 73%, 69%, and 73% (respectively) for an average for other statewide public systems. 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.
- **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 31st consecutive year South Dakota has received an unmodified opinion on its CAFR.
- **Risk Management.** The Risk Management Program was created to protect the assets and resources of the State through efficient control and financing of risks inherent in government operations by ensuring a safe environment for State employees and the general public. Responsibilities include ensuring that exposures to

financial loss are discovered and handled appropriately, minimizing the possible interruption of vital public services, and reducing the costs and consequences of accidents through effective loss control management.

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

At the request of the Governor, the 2015 Legislative Session established two captive insurance companies. 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; however, Governor Dugaard wanted to improve on this by advancing his Internal Control Initiative. As part of this Initiative, Senate Bill 162, which was passed during the 2016 Legislative Session and signed by the Governor, creates the State Board of Internal Control. The Board's primary responsibility is to establish and maintain guidelines for an effective system of internal control to be implemented by state agencies.

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.

Total investment income from the assets invested by SDIC for fiscal year 2017 was \$1.6 billion. Income for the most recent five fiscal years totaled \$5.8 billion and, since inception, has exceeded \$16.7 billion. Assets managed by SDIC have grown from \$133.0 million at the end of its first year to \$14.2 billion at June 30, 2017. The Cash Flow Fund total investment income was \$4.9 million in fiscal year 2017, yielding 1.25%, and has earned \$1.1 billion over the past 45 years. The four state trust funds returned 11.5% compared to the benchmark of 10% for fiscal year 2017. The four funds distributed over \$47 million during fiscal year 2017. The South Dakota Retirement System's (SDRS) assets returned 13.8%, net of fees, for fiscal year 2017 compared to SDIC's Capital Markets Benchmark return of 11% and returned 10.2%, net of fees, compared to the benchmark return of 9.4% for the past 44 years (since inception of SDIC's investment management responsibilities for SDRS).

Additional information can be found in *Note 3. Cash, Deposits, and Investment* in the Notes to the Financial Statements.

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and 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 2017, the Lottery generated \$117.1 million of income (before transfers) and provided \$118.1 million in transfers to other funds that improve the quality of life in South Dakota. Since its inception in 1987, the Lottery has distributed \$2.7 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. As of June 30, 2014, 2015, 2016, and 2017, SDRS had an actuarial value funded ratio of 100.0% and a fair value funded ratio of 107.3%, 104.1%, 96.9%, and 100.1% respectively. On November 3rd, 2016, the Board of Trustees approved the following changes in actuarial assumptions first effective for the June 30, 2017 valuation: reduce the annual price inflation assumption from 3.25% to 2.25%; reduce the annual investment return assumption from 7.25% through June 30, 2017, and 7.50% thereafter, to 6.50%; and reduce the annual wage growth assumptions from 3.75% to 3.00%. In addition, the actuarial asset method

was changed so that the actuarial value of assets is equal to the fair value of assets beginning with the June 30, 2017 valuation.

In fiscal year 2008, the unfunded actuarial accrued liability was \$194 million or 14.1% of covered payroll. In fiscal year 2017, ten years later, SDRS has no unfunded actuarial accrued liability. In fiscal year 2008, the actuarial value funded ratio was 97.2% and the fair value funded ratio was 104.8%. In fiscal year 2017, both the actuarial value funded ratio and the fair value funded ratio are 100.1%. The funded ratio is the ratio of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation.

In fiscal year 2017, SDRS experienced a 13.81% (time-weighted) market return, or 6.56% more than the assumed rate of return of 7.25%. Plan assets at fair value in fiscal year 2017 were \$11.6 billion compared to plan assets of \$7.3 billion in fiscal year 2008.

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

As previously stated, as of June 30, 2017, SDRS is fully funded with an actuarial value funded ratio and a fair value funded ratio of 100.1%. SDRS currently has no unfunded actuarial accrued liability (UAAL). The fixed, statutory employer and employee contributions support benefits that vary from year-to-year based on investment returns and the funded ratio of the system and currently satisfy the minimum requirement to support the current benefits as defined in statute. If contributions fall short of the minimum requirement, the SDRS Board of Trustees is required by statute to recommend corrective actions to the Legislature.

During the 2017 Legislative Session, the SDRS Cost of Living Adjustment (COLA) was revised. This revision tied the COLA to inflation and limited the COLA increases to the percentage that if paid in future years, results in an SRDS fair value funded ratio of at least 100%. In addition, the requirements for corrective action recommendations were strengthened so that if the 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 2015, the State implemented GASB Statements 68 and 71 which required the State to recognize and report pension related liabilities, assets, deferred outflows of resources, deferred inflows of resources, expense/expenditures, and revenues for pensions provided to its employees. As allowed by the GASB standards, the State used a June 30, 2016 measurement date to report its proportionate share of the SDRS in the fiscal year 2017 CAFR. South Dakota was one of the few states in the nation to boast a net pension asset in 2015 and 2016 and reports a comparatively small net pension liability in 2017. Barring unforeseen circumstances, South Dakota expects to report a net pension asset again in the fiscal year 2018 CAFR.

South Dakota Retirement System

As of June 30	Total Pension Liability	Plan Fiduciary Net Position	Fair Value Funded Ratio	Primary Government's Proportionate Share	Primary Government's Net Pension Asset (Liability)
2014	\$9.9 billion	\$10.6 billion	107.3%	22.1%	\$159.0 million
2015	10.4 billion	10.8 billion	104.1%	22.4%	95.2 million
2016	10.8 billion	10.5 billion	96.9%	22.3%	(75.2 million)
2017	11.6 billion	11.6 billion	100.1%	21.6%	2.0 million

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. The national economic recession had a negative impact on employment during 2009 and 2010, but positive employment growth returned for the past several years. South Dakota's nonfarm employment declined 1.9% in 2009 and 0.2% in 2010, but rebounded with an average growth rate of 1.2% from 2011 through 2016. 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 2016.

In fiscal year 2017, nonfarm employment in South Dakota grew 1.3% compared to the national growth rate of 1.6% over the same time period. Employment sectors that experienced growth in fiscal year 2017 in South Dakota include: mining, logging, and construction; information; trade, transportation, and utilities; financial activities; professional and business services; education and health services; leisure and hospitality; other services; and government. The only employment sector that experienced a decrease during the fiscal year was manufacturing.

The unemployment rate in South Dakota remained low over the course of fiscal year 2017 and was one of the lowest in the nation due to steady economic growth. In June of 2017, South Dakota's unemployment rate was 3.0%, which is 1.4% lower than the U.S. unemployment rate of 4.4% for the same month.

Income growth is another important indicator of the State's economic health. In calendar year 2016, which is the most recent annual data that is available, South Dakota's nonfarm personal income grew 2.7%, slightly higher than the U.S. growth rate of 2.5%. This growth in nonfarm income compares to the seven state Plains region average growth of 1.9% in 2016. The other Plains region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced nonfarm income growth rates of 2.7%, 0.5%, 2.9%, 1.5%, 2.5%, and (-2.8%), respectively. South Dakota's per capita personal income was \$47,834 in 2016, 2.9% less than the U.S. average per capita income of \$49,246.

In 2016, farm income in South Dakota was \$1.1 billion, which is down from record levels that were experienced from 2011 through 2014. From 2011 through 2014, farm income averaged over \$3.0 billion per year, with 2011 having the highest farm income on record in South Dakota at \$3.8 billion. This compares to the previous five-year average farm income level (2005 through 2009) of \$1.6 billion. Lower farm income is anticipated in South Dakota for 2017 due to lower crop production.

The outlook for South Dakota's economy is for slow and steady growth over the next two years, similar to what has been experienced in recent years. As of September 2017, South Dakota's nonfarm employment levels were 3,200 jobs, or 0.7% higher when compared to a year earlier. In addition, the unemployment rate in South Dakota is currently at 3.4%, lower than the U.S. unemployment rate of 4.2% as of September 2017. South Dakota's economy is expected to grow steadily in 2018 and 2019 as the State continues to boast one of the lowest state per capita taxes in the nation and a business friendly environment.

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:

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 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. The 2017 Legislature took further steps to strengthen South Dakota's effort in addressing livestock diseases by appropriating funding to renovate the existing laboratory and build a new facility. The \$61 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 facility will allow timely veterinary diagnostic services in response to the growing demand for accurate identification of foreign, emerging, and exotic diseases.

Obligation Recovery Center. Millions of dollars are owed to the State in delinquent taxes, fees, fines, and other obligations. Until a few years ago, each state entity tried to collect these debts on their own. However, the passage of House Bill 1228 during the 2015 Legislative Session established the Obligation Recovery Center (ORC), which provides a more efficient and standardized collection process for the State of South Dakota. The Center will collect referred state agency debt, such as unpaid taxes, university tuition or fees, and court costs owed by criminal defendants. For debts exceeding \$50, hunting and fishing licenses can be suspended. For debts exceeding \$1,000, the State can place blocks on driver licenses and motor vehicle registrations. And for those who still do not work toward reducing their debts, their cases are referred to third-party debt collection agencies. In the Center's first year of operation, over \$3.3 million have been recovered and \$7.6 million in payment plans have been established.

Education. South Dakota has always been proud of its commitment to education. Recently, the State has cleared some major hurdles to help ensure the long-term success in providing quality education for South Dakota citizens.

➤ **Blue Ribbon Task Force and the 2016 Education Funding Reform.** In 2015, Governor Dugaard created the Blue Ribbon Task Force to revalue the K-12 education funding formula, collect and analyze data, seek public input, and to make recommendations for reform to the 2016 Legislature. As a result of the Blue Ribbon Task Force recommendations, Governor Dugaard proposed, and the Legislature approved, a K-12 comprehensive education funding package aimed at increasing the statewide average teacher salary and recruiting high quality teachers in the state. The legislation was approved during the 2016 Legislative session and became law for state fiscal year 2017. The education reform package included three key pieces of legislation:

- Senate Bill 131 from the 2016 Legislative Session, passed and signed by the Governor, contains the mechanics of the new funding formula, which includes a target statewide average salary of \$48,500 per certified teacher, targeted student to teacher ratios for small, medium, and large school districts, and new requirements for reserve fund caps at the school district level. The legislation also requires that the majority of new funding be directed to increase instructional salaries and benefits at the local school district level.
- Senate Bill 133 from the 2016 Legislative Session, passed and signed by the Governor, focused on voluntary shared services among school districts, classroom innovation grants, expansion of course offerings through the E-Learning Center, and a mentoring program for first and second year instructors.
- House Bill 1182 from the 2016 Legislative Session, passed and signed by the Governor, increased the state sales and use tax by one-half cent. The increase of funds was dedicated as follows: \$67 million for K-12 education to fund the new K-12 formula, \$36 million to provide property tax relief through the new education formula, and \$3 million for improving instructor salaries at the four technical schools across the state.

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, 2016. 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, David Knigge, 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,

A handwritten signature in blue ink that reads "Liza Clark". The signature is written in a cursive, flowing style.

Liza Clark, Chief Financial Officer
Bureau of Finance and Management



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of South Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

*SOUTH DAKOTA
FY2017 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 Honorable Steven L. Zinter
Associate Justice**

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

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

**The Honorable Janine M. Kern
Associate Justice**

*SOUTH DAKOTA
FY2017 FUNCTIONS OF STATE GOVERNMENT*

GENERAL GOVERNMENT

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

*HEALTH, HUMAN, AND
SOCIAL SERVICES*

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

*LAW, JUSTICE, PUBLIC
PROTECTION,
AND REGULATION*

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

*AGRICULTURE AND
NATURAL RESOURCES*

Agriculture
Game, Fish and Parks
Environment and Natural Resources

TRANSPORTATION

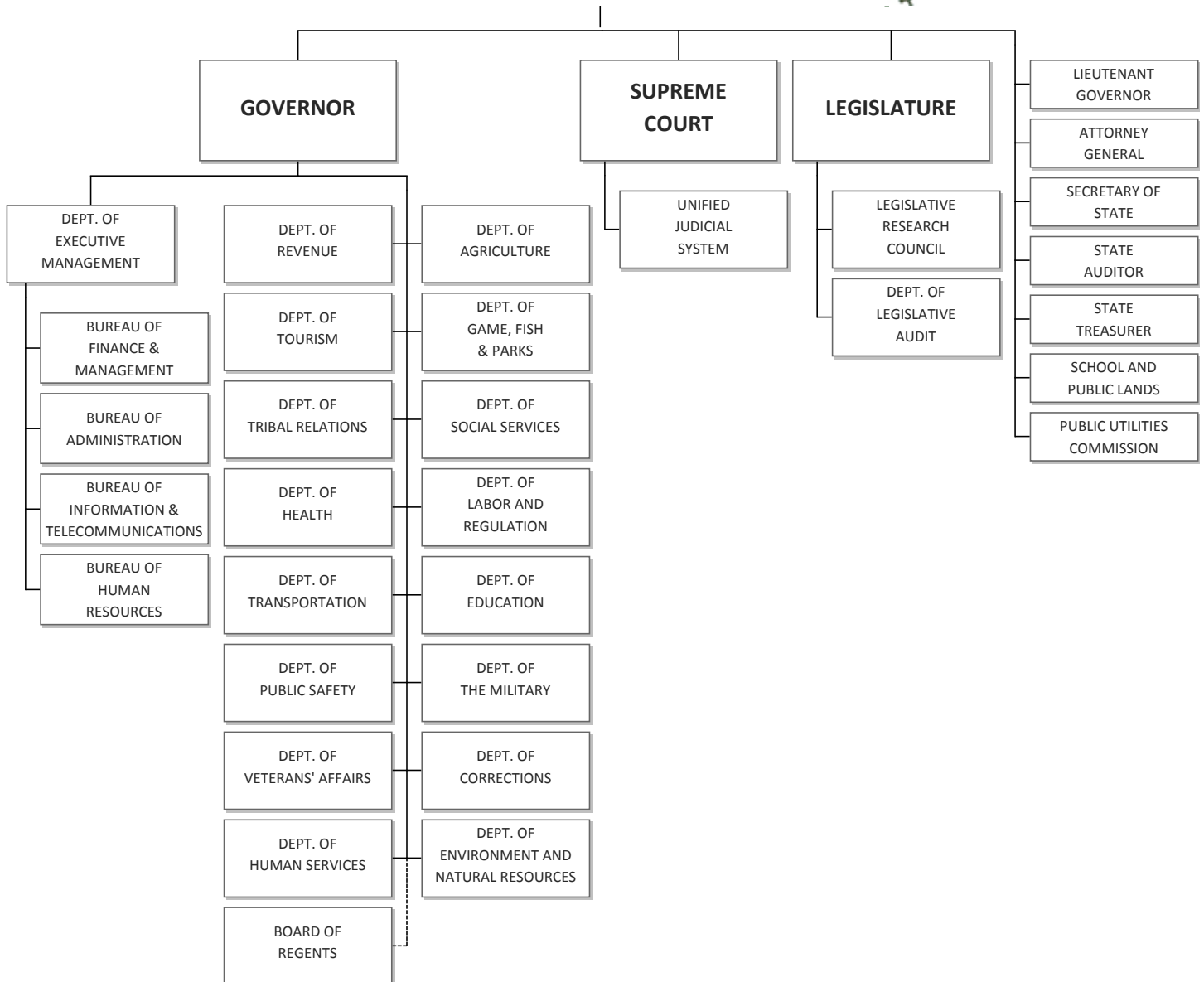
Transportation

EDUCATION

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

ECONOMIC RESOURCES

Tourism
Economic Development
Tribal Relations





FINANCIAL SECTION



FINANCIAL SECTION



427 SOUTH CHAPELLE
 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, 2017, 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	12.2%	16.4%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Development Authority	39.7%	5.8%
South Dakota Ellsworth Development Authority	.8%	.8%

Foundations of Higher Education	16.3%	15.6%
Aggregate remaining fund information:		
Unemployment Insurance Fund	.9%	1.1%
South Dakota Retirement System	88.9%	41.9%

* 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, 2017, 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 118 through 133, and the Schedules of Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions on page 134 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 136 through 171 and the other information, such as the introductory and statistical sections on pages 1 through 12 and 173 through 193, 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 29, 2017 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 29, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of South Dakota's (hereinafter referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2017. 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 \$6.5 billion (reported as net position). Of this amount, \$5.6 billion is restricted for specific uses or invested in capital assets. The remaining \$0.9 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 \$258.9 million, or 4.1% from the prior year. Net position of Governmental Activities increased by \$234.6 million, or 4.2%, while net position of Business-type Activities increased by \$24.3 million, or 3.6% over the prior year.
- Discretely presented component units reported total net position of \$2.2 billion, an increase of \$77.4 million, or 3.7% from the prior year.

Fund Financial Statements

- The State's governmental funds reported combined ending fund balances of \$1.9 billion, an increase of \$153.8 million, or 8.6% from the prior year. Of the \$1.9 billion in combined ending fund balance, \$533.4 million is nonspendable and \$1.0 billion is restricted by outside sources or enabling legislation. Another \$38.9 million is committed by state law and \$84.2 million has been assigned for various specific purposes. The remaining \$243.3 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 \$243.3 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 and in *Note 10. Fund Balance and Net Position* in the Notes to the Financial Statements.
- At the end of the fiscal year, the General Fund had a fund balance of \$313.7 million. This includes budget reserves in General Fund Budget Reserve and General Revenue Replacement balances of \$121.3 million and \$44.0 million, respectively.
- The State's three trust funds (Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust reported as special revenue funds) and the State's Permanent Fund all increased in value during the fiscal year because strong investment earnings exceeded statutory disbursements. After transferring a combined amount of \$36.8 million to the General Fund, these funds closed the year with a combined ending fund balance of \$1.0 billion, an increase of \$82.0 million.
- Proprietary funds reported net position at year-end of \$732.9 million, an increase of \$13.2 million, or 1.8% from the prior year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates, and Capital Leases) as of June 30, 2017, totaled \$569.0 million, an increase of \$46.7 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 Building Authority issued \$45.7 million in revenue bonds for Governmental Activities of the primary government and issued \$11.5 million in revenue bonds for Higher Education.

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.* 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 charges fees to customers to help cover all or most of the costs of certain services it provides. The Lottery Fund is an example of a Business-type Activity.

- *Discretely Presented Component Units.* Component units are legally separate organizations for which the State is financially accountable, or the nature and significance of the unit's relationship with the State is such that exclusion of the unit would cause the State's financial statements to be misleading or incomplete. The following entities are included in the component unit columns of the State's Government-wide Financial Statements:
 - 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.

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

2. Internal service funds (e.g., Fleet and Travel Management) are used to account for activities that largely involve other state agencies. The internal service fund activities are consolidated with the Governmental Activities in the Government-wide Financial 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, 2017 were \$7.7 billion, while total liabilities and deferred inflows of resources were \$1.1 billion, resulting in combined net position (Governmental and Business-type Activities) of \$6.5 billion, a 4.1% increase from the previous year. As discussed later in this document, a significant portion of this increase is directly attributed to increase 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
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	
Current and Other Assets, as restated	\$ 2,383,929	\$ 2,332,669	\$ 930,588	\$ 923,766	\$ 3,314,517	\$ 3,256,435	1.8%
Capital Assets, as restated	4,142,238	3,969,541	7,051	6,358	4,149,289	3,975,899	4.4%
Total Assets	6,526,167	6,302,210	937,639	930,124	7,463,806	7,232,334	3.2%
Deferred Outflows of Resources	182,209	179,888	8,921	9,341	191,130	189,229	1.0%
Current and Other Liabilities	351,634	355,446	13,819	13,166	365,453	368,612	(0.9)%
Long-Term Liabilities Outstanding	539,007	405,671	235,838	250,705	774,845	656,376	18.0%
Total Liabilities	890,641	761,117	249,657	263,871	1,140,298	1,024,988	11.2%
Deferred Inflows of Resources	847	138,665	28	3,059	875	141,724	(99.4)%
Net Position:							
Net Investment in Capital Assets, as restated	3,961,256	3,817,182	7,060	6,357	3,968,316	3,823,539	3.8%
Restricted, as restated	1,588,336	1,510,555	5,085	5,481	1,593,421	1,516,036	5.1%
Unrestricted	267,296	254,579	684,730	660,697	952,026	915,276	4.0%
Total Net Position	\$ 5,816,888	\$ 5,582,316	\$ 696,875	\$ 672,535	\$ 6,513,763	\$ 6,254,851	4.1%
Percent of Total Primary Government Net Position	89.3%	89.2%	10.7%	10.8%	100.0%	100.0%	

In fiscal year 2017, Governmental Activities accounted for 89.3% of the State's total net position, and Business-type activities accounted for 10.7%, relatively unchanged from the prior fiscal year.

Net Investment in Capital Assets

The largest component of the State's net position, \$4.0 billion or 60.9%, reflects investments in capital assets (land, land improvements, land improvements – roads, 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 \$144.8 million, or 3.8% increase in the State's investment in capital assets from the prior 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. 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 \$1.6 billion, or 24.5% of total net position, an increase of \$77.4 million, or 5.1% from the prior year. The net position is subject to restrictions either: externally imposed by creditors (such as through 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 (\$503.1 million) or expendable (\$220.8 million), and the third trust fund (Dakota Cement Trust) is restricted for education (\$316.5 million).

The combined fund balance of these four funds totals \$1.0 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 \$553.3 million of restricted net position is restricted for highways (\$183.4 million), pensions (\$105.5 million), agriculture and natural resources (\$75.5 million), economic development (\$45.6 million), railroads (\$29.2 million), debt service (\$25.4 million), and the remaining amount for other purposes.

A majority of the \$77.4 million increase in the restricted net position is attributed to a \$60.1 million increase in the funds held for permanent investment (Education Enhancement Trust, Health Care Trust, and Permanent funds). These governmental funds experienced strong investment returns during the fiscal year which grew the fund balance from the prior year. Additionally, the restricted for highways amount increased by \$39.7 million from the prior year. For additional analysis please see the Transportation Fund analysis in the *Financial Analysis of the State's Funds* section in this document. These increases were offset by a \$26.6 million decrease in restriction for pensions. For fiscal year 2017, the State used a July 1, 2015, to June 30, 2016 measurement date for pension reporting purposes. During that measurement period, the fiduciary net position of the South Dakota Retirement System (SDRS) decreased because investment performance was below the assumed rate of return creating a Net Pension Liability instead of the previously reported Net Pension Asset. It is important to note that during the July 1, 2016 to June 30, 2017 measurement period (which will be used for the States' fiscal year 2018 financial statements) the fiduciary net position of SDRS increased because investment performance was significantly above the assumed rate of return and again creating an Net Pension Asset.

Unrestricted Net Position

The remaining net position balance, \$952.0 million, is defined by accounting standards as "unrestricted" net position. However, much of the unrestricted net position balances cannot be used to meet the State's general ongoing obligations to citizens and creditors as resources because of limitations imposed by federal regulations, bond covenants, constitutional provision, or state law. Limitations on unrestricted net position imposed by federal regulations and bond covenants include \$230.7 million within the Clean Water State Revolving Fund and \$192.7 million within the Drinking Water State Revolving Fund. Other federal and state regulation limitations include, but are not limited to, \$114.6 million within the Revolving Economic Development and Initiative Fund, \$115.0 million for unemployment insurance claims, and \$8.2 million for revolving loan programs.

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

- *General Fund Budget Reserve (\$121.3 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, 2017 was \$121.3 million, an increase of \$7.9 million from the prior year. This transfer into the GFBR as required by law was the result of \$15.5 million of underspent general fund budgets offset by \$7.6 million of lower than expected revenues.

- *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 2017 beginning and ending balance in the GRRF remained unchanged at \$44.0 million.

The unrestricted net position increased by \$36.8 million, or 4.0% during the fiscal year. A significant portion of this increase is attributed to increases in the fund balance reported in the in the Clean Water State Revolving and the Drinking Water State Revolving funds. For additional analysis on these two funds, please see the *Financial Analysis of the State's Funds* section in this document.

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 2017:

**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
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	
Revenues:							
Program Revenues:							
Charges for Service, as restated	\$ 479,870	\$ 470,458	\$ 236,839	\$ 247,384	\$ 716,709	\$ 717,842	(0.2)%
Operating Grants and Contributions	1,553,460	1,475,671	25,334	32,772	1,578,794	1,508,443	4.7%
Capital Grants and Contributions	3,886	7,045	426	727	4,312	7,772	(44.5)%
General Revenues:							
Sales Taxes	991,155	905,475			991,155	905,475	9.5%
Motor Fuel Taxes	183,795	184,105			183,795	184,105	(0.2)%
Contractors Excise Taxes	106,834	104,979			106,834	104,979	1.8%
Bank Card and Franchise Taxes	32,844	25,943			32,844	25,943	26.6%
Other Taxes	371,864	360,917			371,864	360,917	3.0%
Investment Earnings	109,684	14,997			109,684	14,997	631.4%
Gain on Sale of Capital Assets	1,463	2,057			1,463	2,057	(28.9)%
Miscellaneous	80,500	88,463			80,500	88,463	(9.0)%
Total Revenues	3,915,355	3,640,110	262,599	280,883	4,177,954	3,920,993	6.6%
Program Expenses:							
General Government	198,531	198,079			198,531	198,079	0.2%
Education – Elementary, Secondary, and Vocational Schools	223,668	210,777			223,668	210,777	6.1%
Education – State Support to Higher Education	206,253	232,245			206,253	232,245	(11.2)%
Health, Human, and Social Services	1,503,967	1,423,411			1,503,967	1,423,411	5.7%
Law, Justice, Public Protection, and Regulation	294,852	269,583			294,852	269,583	9.4%
Agriculture and Natural Resources, as restated	161,412	140,314			161,412	140,314	15.0%
Economic Resources	52,771	56,138			52,771	56,138	(6.0)%
Transportation	459,424	561,536			459,424	561,536	(18.2)%
Intergovernmental – Payments to School Districts	516,880	421,666			516,880	421,666	22.6%
Intergovernmental – Revenue Sharing	176,836	173,721			176,836	173,721	1.8%
Unallocated Interest Expense	6,419	6,627			6,419	6,627	(3.1)%
Unallocated Depreciation	53	53			53	53	0.0%
Lottery			39,907	43,454	39,907	43,454	(8.2)%
Clean Water State Revolving			9,638	8,290	9,638	8,290	16.3%
Drinking Water State Revolving			7,511	9,031	7,511	9,031	(16.8)%
Other			60,920	60,352	60,920	60,352	0.9%
Total Expenses	3,801,066	3,694,150	117,976	121,127	3,919,042	3,815,277	2.7%
Excess (Deficiency) Before Transfers	114,289	(54,040)	144,623	159,756	258,912	105,716	
Transfers	120,283	120,602	(120,283)	(120,602)			
Change in Net Position	234,572	66,562	24,340	39,154	258,912	105,716	
Net Position – Beginning	5,582,316	5,515,754	672,535	633,381	6,254,851	6,149,135	
Net Position – Ending, as restated	\$ 5,816,888	\$ 5,582,316	\$ 696,875	\$ 672,535	\$ 6,513,763	\$ 6,254,851	
Percent Change in Total Net Position from prior year	4.2%		3.6%		4.1%		

Governmental Activities:

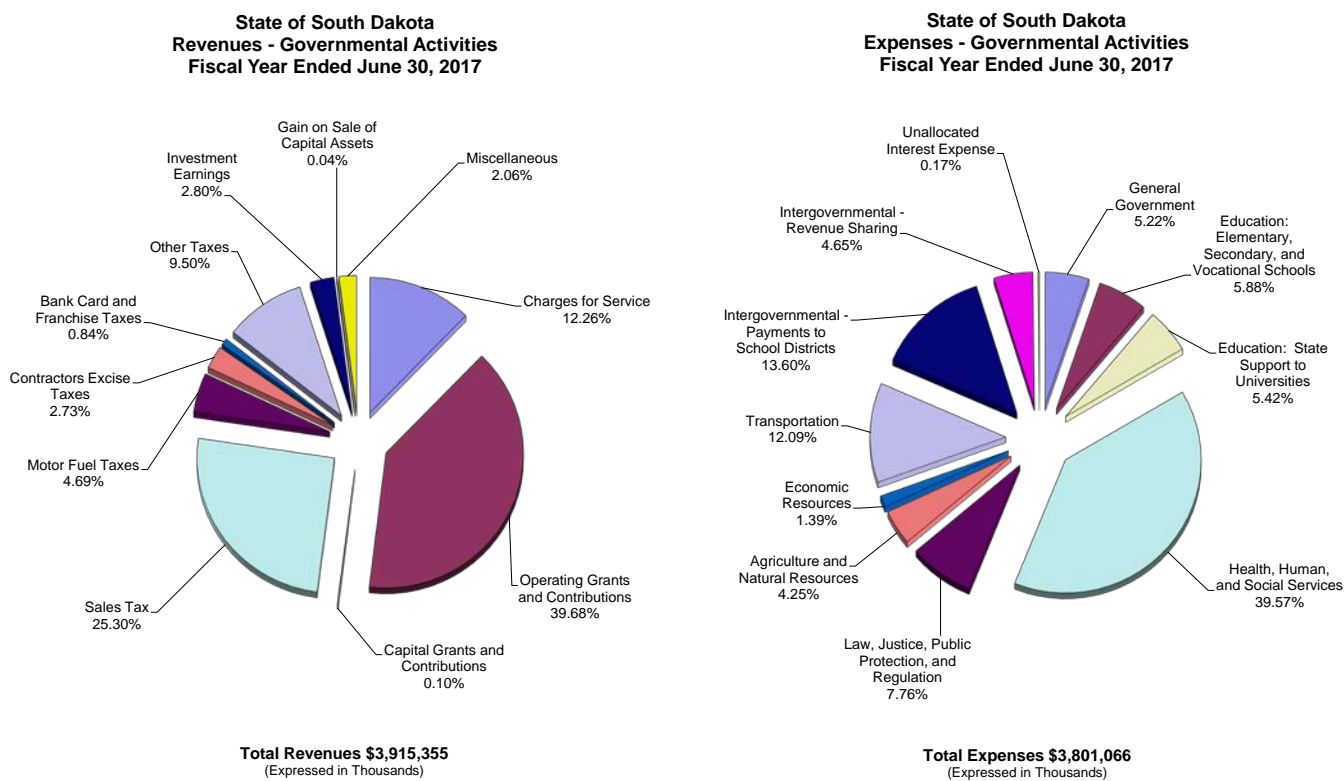
The State's net position for Governmental Activities at the end of fiscal year 2017 was \$5.8 billion. This represents an increase of 4.2% or \$234.6 million from the prior year. This was the result of the net effect of the following: (1) \$3.9 billion revenues (an increase from the prior year of \$275.2 million); less (2) \$3.8 billion expenses (an increase over the prior year of \$106.9 million); plus (3) net transfers of \$120.3 million (primarily from the South Dakota Lottery Fund).

The increase in revenues was primarily due to \$94.7 million, \$85.7 million, and \$77.8 million increases in investment earnings, sales tax, and operating grants and contributions, respectively. The increase in investment earnings is primarily attributed to healthy investment performance in the Dakota Cement Trust, Education Enhancement Trust, Health Care Trust and Permanent funds due to favorable investment markets. The sales tax increase is attributed to a sales tax rate increase. Please refer to the General Fund analysis in the *Financial Analysis of the State's Funds*

section in this document. A large portion of the increase in operating grants is attributed to the increase in the Federal Medical Assistance Percentages (FMAP) rate in Health, Human, and Social Services function of government. This increases the federal share for many entitlement programs. A majority of this revenue (and the corresponding increase in the federal grant expenditures) is reported in the Social Services Federal Fund which is further discussed in the *Financial Analysis of the State's Funds* section in this document.

Payments to schools and the health, human, and social services functions of government expenses increased by \$82.1 million and \$80.6 million, respectively. The increase in payments to school is attributed to the increase in sales and use tax dedicated to teacher salaries. For more information on this decrease, please refer to the General Fund analysis in the *Financial Analysis of the State's Funds* section in this document. The increase in the health, human, and social services functions of government follows the FMAP rate increase referenced above. These increases were offset by \$102.1 million decrease in expenses in the transportation function of government. For more information on this decrease, please refer to the Transportation Fund analysis in the *Financial Analysis of the State's Funds* section in this document.

The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2017:



This fiscal year, the State received 43.1% of its revenues from taxes (sales, motor fuel, contractors excise, bank card, bank franchise, and other taxes), and 39.7% from federal grants and contributions. Charges for service accounted for 12.3%.

In fiscal year 2017, health, human, and social services (taking care of people) accounted for 39.6% of the State's expenses, followed by 24.9% to education (K-12 and post-secondary), 12.1% to transportation (constructing and maintaining roads and bridges), and 7.8% for law, justice, public protection, and regulation (protecting people).

Business-type Activities:

Net position of the Business-type Activities at the end of fiscal year 2017 was \$696.9 million, an increase of \$24.3 million due to total revenues exceeding total expenses and transfers out. Although net position for Business-type Activities only accounts for roughly 10.7% of the total net position, Business-type Activities provided \$120.3 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 \$1.9 billion, an increase of \$153.8 million during the year. Of this amount, approximately 27.5%, or \$533.4 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 \$1.0 billion of the combined ending fund balances is restricted by outside sources or enabling legislation. 2.0%, or \$38.9 million of the combined balance is committed by state law and 4.4%, or \$84.2 million, has been assigned internally for specific purposes. The remaining \$243.3 million, or 12.6% is reported as unassigned in accordance with GASB Statement 54. Certain resources within the \$243.3 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, 2017
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total	% of Total Fund Balance
Nonspendable	\$ 6,458	\$ 19,401	\$ 868	\$	\$ 366,547	\$ 140,152	\$ 533,426	27.5%
Restricted	3,300	175,053		316,484	168,568	373,053	1,036,458	53.5%
Committed						38,940	38,940	2.0%
Assigned	54,835		1,029			28,375	84,239	4.4%
Unassigned	249,087					(5,742)	243,345	12.6%
Total Fund Balances	\$ 313,680	\$ 194,454	\$ 1,897	\$ 316,484	\$ 535,115	\$ 574,778	\$ 1,936,408	
% Change from prior year	1.3%	25.6%	69.5%	7.4%	9.3%	7.9%	8.6%	

The following governmental funds are major funds and had significant impact on the State's financial position during fiscal year 2017:

General Fund (\$313.7 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 contactor'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
	FY2017	FY2016			Change	FY2017	
Revenue:				Expenditures:			
Taxes:				Current:			
Sales and Use Tax	\$ 973,445	\$ 887,715	9.7%	General Government	\$ 50,914	\$ 54,597	(6.7)%
Contractor's Excise Tax	106,816	104,907	1.8%	Education (all)	752,621	682,689	10.2%
Insurance Company Tax	75,528	75,243	0.4%	Health, Human, and Social Services	545,106	547,396	(0.4)%
Cigarette Excise Tax	47,149	47,808	(1.4)%	Law, Justice, Public Protection, and Regulation	159,910	150,833	6.0%
Bank Tax	32,800	25,412	29.1%	Agriculture and Natural Resources	18,610	18,314	1.6%
Tourism Tax	23,084	21,831	5.7%	Economic Resources	25,648	23,818	7.7%
Alcohol Beverage Tax	15,993	17,580	(9.0)%	State Shared Revenue Paid			
Mineral Tax	10,154	8,260	22.9%	to Other Governments	45,431	36,335	25.0%
Other	9,601	8,049	19.3%	Total Expenditures	<u>\$ 1,598,240</u>	<u>\$ 1,513,982</u>	5.6%
Licenses, Permits, and Fees	10,814	10,165	6.4%				
Fines, Forfeits, and Penalties	340	366	(7.1)%				
Use of Money and Property	2,075	10,788	(80.8)%				
Sales and Services	23,032	19,737	16.7%				
Administering Programs	2	20	(90.0)%				
Unclaimed Property Remittance	51,556	57,799	(10.8)%				
Other Revenue	9,829	9,493	3.5%				
Total Revenue	<u>\$ 1,392,218</u>	<u>\$ 1,305,173</u>	6.7%				
				Transfers Out:			
Transfers In:				State Fire Suppression fund	\$ 3,300	\$ 1,300	153.8%
South Dakota Lottery fund	\$ 112,329	\$ 109,756	2.3%	Vocational Education Facilities fund	2,270	9,559	(76.3)%
Securities and Insurance fund	53,972	46,556	15.9%	Labor fund	1,541	1,447	6.5%
Education Enhancement Trust fund	19,378	18,243	6.2%	All Other Transfers Out	2,648	5,767	(54.1)%
Dakota Cement Trust fund	11,982	11,436	4.8%	Total Transfers Out	<u>\$ 9,759</u>	<u>\$ 18,073</u>	(46.0)%
South Dakota Gaming Commission fund	6,037	6,261	(3.6)%				
Health Care Trust fund	5,215	4,970	4.9%				
All Other Transfers In	10,926	20,874	(47.7)%				
Total Transfers In	<u>\$ 219,839</u>	<u>\$ 218,096</u>	0.8%				

The General Fund experienced a significant increase of \$85.7 million in sales and use tax. The increases in sales and use tax is attributed to House Bill 1182 from the 2016 Legislative Session, passed and signed by the Governor, which increased the sales and use tax by one-half cent, effective June 1, 2016 to be used for K-12 teacher salaries. This increase in sales tax revenue also created a corresponding increase in payments to school districts.

At the end of the fiscal year, the total fund balance of the General Fund was \$313.7 million, an increase of \$4.1 million, or 1.3% from the prior year.

Significant changes in the General Fund balance include the following:

- Nonspendable ending fund balance of \$6.5 million increased by \$2.3 million, or 54.0% from the prior fiscal year. This increase is the result of various small increases in inventories and prepaid amounts.
- Restricted ending fund balance of \$3.3 million decreased by \$5.1 million, or 60.6% from the prior fiscal year. Senate Bill 34, passed in the 2017 Legislative Session, requires the sale of securities within ninety days of receipt, which minimizes the securities held as escheat property.

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: \$121.3 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. Other limitations on the General Fund include:

- \$121.3 million of the unassigned fund balance represents tax revenue that was recognized as revenue in the General Fund in fiscal year 2017 for financial reporting purposes, but not distributed on a cash basis to the General Fund until fiscal year 2018. This revenue was budgeted and will be used in fiscal year 2018 cash basis operations.
- \$72.5 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.

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 3.4% of the total General Fund operating expenditures, while the unassigned fund balance (including the GFBR and GRRF) represents 15.6% of that same amount.

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

Transportation (\$194.5 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 \$194.5 million, an increase of \$39.6 million, or 25.6% from the prior fiscal year.

During the fiscal year, total revenue for the Transportation Fund remained relatively unchanged from the prior year while total expenditures decreased by \$41.3 million, or 6.3% from the previous year. This decrease in expenditures is a result of less highway construction activity from the prior year. This small variation in construction activity is a normal fluctuation in the four-year Statewide Transportation Improvement Plan.

Social Services Federal (\$1.9 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 \$1.9 million, relatively unchanged from the prior year.

Program revenue of \$716.0 million increased by \$47.3 million, or 7.1% and expenditures of \$715.0 million grew by \$46.4 million, or 6.9% from the prior fiscal year, predominantly due to the increase in the FMAP rate for the Medicaid program. The FMAP changes increased the federal grant revenue received and spent by the State on Medicaid recipients.

Dakota Cement Trust Fund (\$316.5 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 \$12.0 million to the General Fund in fiscal year 2017 and \$11.4 million in fiscal year 2016.

The fund balance in the Dakota Cement Trust Fund at June 30, 2017, was \$316.5 million and is restricted for education. This is an increase of \$21.9 million from the previous year. The increase resulted primarily from healthy net investment income of \$33.9 million which exceeded the statutory required transfer to the General Fund.

Education Enhancement Trust Fund (\$535.1 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 \$19.4 million to the General Fund in fiscal year 2017 and \$18.2 million in fiscal year 2016.

The fund balance in the Education Enhancement Trust Fund at June 30, 2017, was \$535.1 million, an increase of \$45.4 million from the prior year. This increase was the result of very strong net investment income of \$56.6 million exceeding the statutory required transfer to the General Fund.

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 2017:

Lottery Fund (\$5.9 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 \$5.9 million, a decrease of \$1.1 million in comparison with the prior year. During fiscal year 2017, the State Lottery Fund distributed approximately \$112.3 million to the General Fund, \$5.6 million to the Capital Construction Fund, and \$0.2 million to the Department of Social Services.

The State Lottery produced income (before transfers) in the amount of \$117.1 million on total revenue of \$156.8 million, compared to the previous fiscal year's income (before transfers) of \$117.6 million on total revenue of \$160.6 million. In fiscal year 2016, the “Powerball” lotto game experienced a world record jackpot of \$1.6 billion which increased fiscal year 2016 online sales. Fiscal year 2017 failed to see any Powerball jackpots that approached that level and thus on-line ticket sales decreased \$6.0 million in fiscal year 2017. This decrease was offset by an increase of \$2.4 million in video lottery revenue. The increase in video lottery revenue is the result of continued introduction of new line game video lottery terminals in video lottery establishments. These new terminals are producing more net income than the legacy machines.

Clean Water State Revolving Fund (\$230.7 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.

At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net position of \$230.7 million, an increase of \$7.8 million, or 3.5% in comparison to the prior fiscal year. Most of this increase is attributed to a \$5.9 million increase in the federal capitalization grant receipts from the United State Environmental Protection Agency to subsidize qualifying loans.

Drinking Water State Revolving Fund (\$192.7 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.

At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net position of \$192.7 million, an increase of \$7.7 million, or 4.2% in comparison with the prior year. This increase resulted primarily from the operating revenue, federal grant revenues, and investment income exceeding total expense by \$7.5 million.

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 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 \$34.4 million decrease in appropriations. That decrease can be attributed to two separate appropriation areas comprised of emergency specials and general bill adjustments.

Increases to the General Fund Budget

Emergency Specials. During the 2017 Legislative Session, the Legislature approved emergency special appropriations to the General Fund of \$6.6 million in fiscal year 2017. They consisted of the following:

- \$3.3 million was appropriated from the General Fund to the Department of Agriculture for costs related to fighting wildfires in the State, and \$1.0 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.
- \$2.3 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, intensive meth treatment program, and for the purchase of land for the Department of the Military.

General Bill Increases. The 2017 Legislature approved general bill adjustments that increased the General Fund original budget by \$1.1 million during fiscal year 2017. This increase consisted of the following:

- \$0.8 million increase in appropriation to the Department of Veterans' Affairs for Medicaid programs at the State Veterans' Home. During the fiscal year more residents in the State Veterans' Home were eligible for Medicaid than originally estimated. This increase was necessary to provide the State's match for the increase in federal funds.
- \$0.3 million total increase in appropriations to various state agencies for various other increases.

Decreases to the General Fund Budget

General Bill Decreases. Due to a soft agriculture economy and low inflation, actual sales tax revenue in the General Fund fell short of the revenue estimates. In order to maintain a balanced budget, the 2017 Legislature approved general bill adjustments that decreased the General Fund original budget by \$42.1 million during fiscal year 2017. These decreases consisted of the following:

- \$21.4 million decrease in appropriation to the Department of Education for programs in state aid to general education, sparsity payments, postsecondary vocational education, and education resources.
- \$11.1 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.
- \$3.7 million decrease in appropriation to the Higher Education for programs in the Board of Regent's central office, University of South Dakota, South Dakota State University, South Dakota School of Mines and Technology, Northern State University, Black Hills State University, Dakota State University, South Dakota School for the Deaf, and South Dakota School for the Blind and Visually Impaired.

- \$3.6 million decrease in appropriation to the Bureau of Finance and Management related to statewide maintenance and repair and the employee compensation and billing pools.
- \$1.1 million decrease in appropriation to the Department of Corrections for programs in administration, central office, Mike Durfee State Prison, state penitentiary, women's prison, inmate services, juvenile community corrections, youth challenge center, Patrick Henry Brady Academy, state treatment and rehabilitation academy, and Quest.
- \$1.0 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 \$34.4 million decrease 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 \$41.5 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, 2017 is \$4.1 billion (net of accumulated depreciation). This investment in capital assets includes: land, land improvements, land improvements – roads, 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	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Land	\$ 119,725	\$ 116,084	\$ 295	\$ 295	\$ 120,020	\$ 116,379
Land Improvements	56,383	39,679	924	924	57,307	40,603
Land Improvements - Roads	624,038	618,701			624,038	618,701
Buildings, as restated	686,854	649,839	8,591	4,008	695,445	653,847
Equipment	233,399	225,662	3,862	3,689	237,261	229,351
Intangible Assets – Software	81,267	79,269	2,341	2,341	83,608	81,610
Vehicles	166,231	161,349			166,231	161,349
Infrastructure	3,924,258	3,855,757			3,924,258	3,855,757
Construction in Progress, as restated	395,196	281,084	82	3,797	395,278	284,881
Total Capital Assets	6,287,351	6,027,424	16,095	15,054	6,303,446	6,042,478
Accumulated Depreciation	(2,145,113)	(2,057,883)	(9,044)	(8,696)	(2,154,157)	(2,066,579)
Total Capital Assets, Net	\$4,142,238	\$3,969,541	\$ 7,051	\$ 6,358	\$4,149,289	\$3,975,899

The most significant capital asset the State reported in fiscal year 2017 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 \$2.3 billion (net of accumulated depreciation), which is 56.0% of total net capital assets.

The State's investment in capital assets (net of accumulated depreciation) increased \$173.4 million, or 4.4% during the fiscal year. This change was primarily due to a \$110.4 million increase in construction in progress, \$68.5 million increase in infrastructure, and a \$41.6 million increase in buildings.

- Construction In Progress and Infrastructure - Most of the increases in construction in progress and infrastructure were the result of highway and bridge projects. Construction in progress for highways and bridges increased by \$194.5 million for new and ongoing projects and decreased by \$77.4 million for projects completed and capitalized.
- Buildings - The Department of Education constructed a new building at Southeastern Technical Institute for \$16.7 million, along with new buildings and improvements at Western Dakota Technical Institute for \$15.7 million. Game, Fish, and Parks constructed a new Custer State Park Game Lodge and Visitor Center for \$5.1 million. The Department of Agriculture built the Nordby Exhibit Hall on the State Fair complex for \$4.6 million.

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

On May 4, 2015, the issuer credit rating (ICR) for the State of South Dakota as issued from Standard and Poor's was upgraded from AA+ to a AAA with a stable outlook. On June 17, 2017, the ICR for the State of South Dakota as issued from Fitch Rating Service was upgraded from AA+ to AAA with a stable outlook. On July 11, 2017, the ICR for the State of South Dakota as issued from Moody's Rating Service was upgraded from Aa1 to Aaa 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. The State Constitution prohibits the State from having general obligation indebtedness in excess of \$100,000. The South Dakota Building Authority (SDBA), a legally separate blended component unit of the State, was created and organized by Chapter 5-12 of the South Dakota Codified Laws to issue debt on behalf of the primary government.

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 other state departments and institutions. On June 30, 2017, the uninsured rating was Aa1 from Moody's with a stable outlook, and AA+ with a stable outlook from Standard and Poor's, and AA+ with a stable outlook from Fitch. 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 Governmental Activities in the State's Basic Financial Statements, except for debt of universities, which is reported as part of the discretely presented component unit information.

SDBA issued \$45.7 million in revenue bonds for Governmental Activities to support the construction of a new State Animal Disease Research and Diagnostic Laboratory. See the Major Initiatives section in the Letter of Transmittal. The South Dakota Building Authority issued \$11.5 million in revenue bonds for Higher Education for construction of an addition to the Performing Arts Center at South Dakota State University.

The Educational Enhancement Funding Corporation (EEFC) is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and accordingly, is included in the State's financial statements. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title, and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement. The purchase price of the State's future right, title, and interest in the TSRs has been financed by the issuance of the Bonds and the Residual Certificate. The Residual Certificate represents the right of the State to receive all amounts required to be distributed after payment of all outstanding bonds and other liabilities of EEFC as set forth in the Trust Indenture. Pursuant to the Resolution, EEFC is prohibited from selling additional bonds, other than refunding bonds. The bonds represent limited obligations of EEFC, payable solely from and secured solely by the pledged TSRs and the pledged amounts. The bonds are not a debt or liability of the State or of any political subdivision or agency thereof. EEFC has no taxing power. EEFC did not issue any refunding bonds in fiscal year 2017.

The South Dakota Conservancy District (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. At June 30, 2017, 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.

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. In fiscal year 2017, SDCD did not issue any new long-term indebtedness bonds for the CWSRF or DWSRF programs under Business-type Activities.

On June 30, 2017, 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	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenue Bonds:						
South Dakota Building Authority	\$ 86,905	\$ 39,822	\$	\$	\$ 86,905	\$ 39,822
Educational Enhancement Funding Corporation	105,455	118,025			105,455	118,025
South Dakota Conservancy District			230,912	247,852	230,912	247,852
Trust Certificates:						
South Dakota Building Authority		280				280
Capital Leases:	145,681	116,289			145,681	116,289
Total	\$ 338,041	\$ 274,416	\$ 230,912	\$ 247,852	\$ 568,953	\$ 522,268

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 2017 and continues to expand at a steady pace. In fiscal year 2017, nonfarm employment in the State increased 1.3%, or 5,400 jobs. The unemployment rate in South Dakota remained among the lowest in the nation in fiscal year 2017. South Dakota's unemployment rate was 3.0% in June 2017, while the U.S. unemployment rate was 4.4% the same month. In calendar year 2016, the most recent annual data that is available, South Dakota's nonfarm personal income grew 2.7%, which was higher than the U.S. growth rate of 2.5% and well above the Plains' State Region growth rate of 1.9%. South Dakota's per capita personal income increased to \$47,834 in 2016, just slightly less than the United States average per capita personal income of \$49,246.

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, 2017
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 791,570	\$ 265,935	\$ 1,057,505
Receivables, net	450,225	450,739	900,964
Due From Component Units	921	50	971
Due From Primary Government			0
Internal Balances	6,509	(6,509)	0
Investments	1,070,344	195,384	1,265,728
Securities Held as Escheat Property	3,253		3,253
Inventory	26,638	2,361	28,999
Advances to Component Units	1,395	20,884	22,279
Other Assets	9,894	532	10,426
Assets Held for Resale			0
Restricted Assets:			
Cash and Cash Equivalents	3,319	23	3,342
Investments	19,861	548	20,409
Other		641	641
Capital Assets:			
Land and Other Non-depreciable Assets	753,231	295	753,526
Infrastructure, net	2,322,425		2,322,425
Property, Plant, and Equipment, net	671,386	6,674	678,060
Construction in Progress	395,196	82	395,278
Total Assets	6,526,167	937,639	7,463,806
Deferred Outflows of Resources			
Deferred Outflow Related to Pensions	177,457	4,093	181,550
Deferred Swap Outflow			0
Deferred Outflow on Debt Refunding	4,752	4,828	9,580
Total Deferred Outflows of Resources	182,209	8,921	191,130
Liabilities			
Accounts Payable and Other Liabilities	298,790	8,505	307,295
Due To Primary Government			0
Due To Component Units	845		845
Accrued Interest Payable	706	3,710	4,416
Unearned Revenue	51,293	1,604	52,897
Noncurrent Liabilities:			
Due Within One Year	75,700	19,792	95,492
Due In More Than One Year	463,307	216,046	679,353
Total Liabilities	890,641	249,657	1,140,298
Deferred Inflows of Resources			
Deferred Inflow Related to Pensions	847	28	875
Deferred Forward Contract Inflow			0
Deferred Inflow on Gain on Debt Refunding			0
Total Deferred Inflows of Resources	847	28	875
Net Position			
Net Investment in Capital Assets	3,961,256	7,060	3,968,316
Restricted for:			
Education	327,880		327,880
Highways	183,438		183,438
Railroads	29,168		29,168
Law, Justice, Public Protection, and Regulation	18,703		18,703
Agriculture and Natural Resources	75,469		75,469
Game and Fish	13,156		13,156
Parks and Recreation	7,105		7,105
Health and Public Assistance	13,062		13,062
Economic Development	45,649		45,649
Debt Service	25,301	99	25,400
Capital Projects	1,911		1,911
HOME and NSP Program			0
Energy Conservation Programs	11,635		11,635
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds Held as Permanent Investments:			
Expendable	220,570		220,570
Nonexpendable	503,051		503,051
Pensions	103,075	2,381	105,456
Experiments			0
Mine Closure			0
Sanford Center for Science Education			0
Other Purposes	9,163	2,605	11,768
Unrestricted	267,296	684,730	952,026
Net Position	\$ 5,816,888	\$ 696,875	\$ 6,513,763

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

Component Units

Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
\$ 241,380	\$ 16,014	\$ 243,341	\$ 17,313
588,598	1,925	150,650	10,592
		845	
792,826		342,157	2,414
2,464	2,441	8,085	
64	5,628	4,214	20
			4,978
		75,787	12
		163,400	5,830
		38,935	
220	19,821	40,139	351
5,380	45,368	1,056,085	21,650
	19,797	56,475	
1,630,932	110,994	2,180,113	63,160
1,411	4,175	125,317	
1,167			
2,030		4,547	
4,608	4,175	129,864	0
8,352	2,538	47,482	975
91		880	
4,367		4,231	123
		10,132	3,704
40,152	686	74,077	1,659
1,072,465	6,210	633,568	32,768
1,125,427	9,434	770,370	39,229
71			
64			
1,366		15	
1,501	0	15	0
(655)	84,780	682,479	503
423,105		3,122	5,000
72,938			
		245,087	
		393,590	
753	2,477	73,814	
	3,426		
	1,412		
	463		
12,471	7,500		
	5,677	141,500	18,428
\$ 508,612	\$ 105,735	\$ 1,539,592	\$ 23,931

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 198,531	\$ 242,343	\$ 11,394	\$
Education - Elementary, Secondary, and Vocational Schools	223,668	11,136	180,031	
Education - State Support to Higher Education	206,253			
Health, Human, and Social Services	1,503,967	39,584	907,191	385
Law, Justice, Public Protection, and Regulation	294,852	85,221	59,131	
Agriculture and Natural Resources	161,412	85,226	43,231	995
Economic Resources	52,771	433	7,040	
Transportation	459,424	15,927	345,442	2,506
Intergovernmental - Payments to School Districts	516,880			
Intergovernmental - Revenue Sharing	176,836			
Unallocated Interest Expense	6,419			
Unallocated Depreciation	53			
Total Governmental Activities	3,801,066	479,870	1,553,460	3,886
Business-type Activities:				
Lottery	39,907	156,814	148	
Clean Water State Revolving	9,638	6,963	10,526	
Drinking Water State Revolving	7,511	4,519	10,799	
Revolving Economic Development and Initiative	765	812	299	
Unemployment Insurance	31,464	39,645	3,308	
Second Injury	1,118	1	12	
State Fair	3,210	3,323	17	426
Federal Surplus Property	3,829	3,473	3	
Rural Rehabilitation	497	234	89	
Prison Industries	3,624	4,050	1	
Health Insurance Risk Pool	5		8	
Professional and Licensing	8,588	8,963	109	
Banking and Insurance	4,523	5,082	9	
Other	3,297	2,960	6	
Total Business-type Activities	117,976	236,839	25,334	426
Total Primary Government	\$ 3,919,042	\$ 716,709	\$ 1,578,794	\$ 4,312
Component Units:				
Housing Authority	\$ 75,022	\$ 27,951	\$ 28,293	\$
Science and Technology Authority	28,756	295	27,691	
Higher Education	785,672	488,631	150,646	5,468
Nonmajor	8,631	4,553	309	4,279
Total Component Units	\$ 898,081	\$ 521,430	\$ 206,939	\$ 9,747

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
\$ 55,206	\$	\$ 55,206				
(32,501)		(32,501)				
(206,253)		(206,253)				
(556,807)		(556,807)				
(150,500)		(150,500)				
(31,960)		(31,960)				
(45,298)		(45,298)				
(95,549)		(95,549)				
(516,880)		(516,880)				
(176,836)		(176,836)				
(6,419)		(6,419)				
(53)		(53)				
(1,763,850)	0	(1,763,850)				
	117,055	117,055				
	7,851	7,851				
	7,807	7,807				
	346	346				
	11,489	11,489				
	(1,105)	(1,105)				
	556	556				
	(353)	(353)				
	(174)	(174)				
	427	427				
	3	3				
	484	484				
	568	568				
	(331)	(331)				
0	144,623	144,623				
(1,763,850)	144,623	(1,619,227)				
			\$ (18,778)	\$	\$	\$
				(770)		
					(140,927)	
						510
			(18,778)	(770)	(140,927)	510
991,155		991,155				
183,795		183,795				
106,834		106,834				
32,844		32,844				
371,864		371,864				
109,684		109,684		45	18,391	187
		0			206,253	
1,463		1,463				
80,500		80,500				
		0			12,512	
120,283	(120,283)	0				
1,998,422	(120,283)	1,878,139	0	45	237,156	187
234,572	24,340	258,912	(18,778)	(725)	96,229	697
5,582,316	672,535	6,254,851	527,390	106,460	1,443,363	23,234
\$ 5,816,888	\$ 696,875	\$ 6,513,763	\$ 508,612	\$ 105,735	\$ 1,539,592	\$ 23,931

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017
(Expressed in Thousands)

Assets	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total
Cash and Cash Equivalents	\$ 239,457	\$ 149,458	\$	\$ 307	\$ 470	\$ 336,968	\$ 726,660
Restricted Cash	3,300					19	3,319
Investments				315,601	552,827	201,916	1,070,344
Restricted Investments						19,861	19,861
Securities Held as Escheat Property	3,253						3,253
Receivables from:							
Taxes, net	128,947	17,893				3,478	150,318
Interest and Dividends	1,916	466	3	576	1,196	1,304	5,461
Other Funds	48,611	1,910				4,701	55,222
Component Units	97					29	126
Other Governments	1,282	55,211	24,830			84,620	165,943
Loans and Notes, net		7,556				55,592	63,148
Other, net	22,229	262	23,418			15,970	61,879
Inventory	3,388	18,976	36			3,438	25,838
Advances to Component Units						1,395	1,395
Other Assets	3,070	425	832			1,732	6,059
Total Assets	\$ 455,550	\$ 252,157	\$ 49,119	\$ 316,484	\$ 554,493	\$ 731,023	\$ 2,358,826
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	\$ 92,455	\$ 44,753	\$ 40,280	\$	\$	\$ 37,459	\$ 214,947
Payable to:							
Other Funds	3,188	1,242	6,612		19,378	24,999	55,419
Component Units	187	130	98			391	806
Other Governments	18,645	9,499	118			61,266	89,528
Claims, Judgments, and Compensated Absences	98	36	10			148	292
Unearned Revenue	22,508	2,040	104			15,150	39,802
Total Liabilities	137,081	57,700	47,222	0	19,378	139,413	400,794
Deferred Inflows of Resources:							
Unavailable Revenue	4,789	3				16,832	21,624
Total Deferred Inflows of Resources	4,789	3	0	0	0	16,832	21,624
Fund Balances:							
Nonspendable	6,458	19,401	868		366,547	140,152	533,426
Restricted	3,300	175,053		316,484	168,568	373,053	1,036,458
Committed						38,940	38,940
Assigned	54,835		1,029			28,375	84,239
Unassigned	249,087					(5,742)	243,345
Total Fund Balances	313,680	194,454	1,897	316,484	535,115	574,778	1,936,408
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 455,550	\$ 252,157	\$ 49,119	\$ 316,484	\$ 554,493	\$ 731,023	\$ 2,358,826

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, 2017
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds		\$ 1,936,408
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:		
Land and Construction in Progress	\$ 1,148,369	
Infrastructure	3,924,258	
Other Capital Assets	1,109,389	
Accumulated Depreciation	<u>(2,073,094)</u>	
Total Capital Assets		4,108,922
Deferred outflows of resources are not reported in the governmental funds:		
Related to Pension	164,518	
Related to Debt Refunding	<u>4,752</u>	
Total Deferred Outflows of Resources		169,270
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.		
		35,998
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	(192,359)	
Accrued Interest on Bonds	(706)	
Capital Leases	(127,878)	
Compensated Absences	(53,827)	
Pollution Remediation	(11,653)	
Net Pension Liability	<u>(68,153)</u>	
Total Long-Term Liabilities		(454,576)
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	21,624	
Related to Pensions	<u>(758)</u>	
Total Deferred Inflows of Resources		<u>20,866</u>
Net Position of Governmental Activities		<u><u>\$ 5,816,888</u></u>

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, 2017
(Expressed in Thousands)**

	<u>General Fund</u>	<u>Transportation</u>	<u>Social Services Federal</u>	<u>Dakota Cement Trust</u>	<u>Education Enhancement Trust</u>	<u>Nonmajor</u>	<u>Total</u>
Revenue:							
Taxes	\$ 1,294,570	\$ 287,449	\$	\$	\$	\$ 103,602	\$ 1,685,621
Licenses, Permits, and Fees	10,814	12,045				278,357	301,216
Fines, Forfeits, and Penalties	340					14,060	14,400
Use of Money and Property	2,075	696	4	34,565	57,860	27,983	123,183
Sales and Services	23,032	643				21,241	44,916
Administering Programs	2	346,526	710,173			490,263	1,546,964
Tobacco Settlement						24,302	24,302
Other Revenue	61,385	2,223	5,798			10,974	80,380
Total Revenue	<u>1,392,218</u>	<u>649,582</u>	<u>715,975</u>	<u>34,565</u>	<u>57,860</u>	<u>970,782</u>	<u>3,820,982</u>
Expenditures:							
Current:							
General Government	50,914			671	1,296	41,777	94,658
Education	29,488					225,212	254,700
Education - Payments to School Districts	516,880						516,880
Education - State Support to Higher Education	206,253						206,253
Health, Human, and Social Services	545,106		715,018			226,944	1,487,068
Law, Justice, Public Protection, and Regulation	159,910	19,973				103,170	283,053
Agriculture and Natural Resources	18,610					154,501	173,111
Economic Resources	25,648					26,784	52,432
Transportation		593,600				6,746	600,346
State Shared Revenue Paid to Other Governments	45,431					131,405	176,836
Capital Outlay						1,023	1,023
Debt Service:							
Principal						15,583	15,583
Interest						8,647	8,647
Bond Issuance Costs						322	322
Total Expenditures	<u>1,598,240</u>	<u>613,573</u>	<u>715,018</u>	<u>671</u>	<u>1,296</u>	<u>942,114</u>	<u>3,870,912</u>
Excess of Revenues Over (Under) Expenditures	(206,022)	36,009	957	33,894	56,564	28,668	(49,930)
Other Financing Sources (Uses):							
Capital Leases						32,048	32,048
Insurance Proceeds		32				48	80
Bonds Issued						44,305	44,305
Premiums on Bond Issuance						6,173	6,173
Proceeds of Refunding Bonds						1,405	1,405
Premiums on Refunding Bonds						206	206
Proceeds from Sale of Capital Assets	80	1,710				463	2,253
Payments on Advance Refundings						(1,488)	(1,488)
Transfers In	219,839	6,360			8,226	26,854	261,279
Transfers Out	(9,759)	(4,511)	(179)	(11,982)	(19,378)	(96,754)	(142,563)
Net Other Financing Sources (Uses)	<u>210,160</u>	<u>3,591</u>	<u>(179)</u>	<u>(11,982)</u>	<u>(11,152)</u>	<u>13,260</u>	<u>203,698</u>
Net Change in Fund Balances	4,138	39,600	778	21,912	45,412	41,928	153,768
Fund Balances at Beginning of Year, as restated	309,542	154,854	1,119	294,572	489,703	532,850	1,782,640
Fund Balances at End of Year	<u>\$ 313,680</u>	<u>\$ 194,454</u>	<u>\$ 1,897</u>	<u>\$ 316,484</u>	<u>\$ 535,115</u>	<u>\$ 574,778</u>	<u>\$ 1,936,408</u>

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

**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

Net Change in Fund Balances - Governmental Funds **\$ 153,768**

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	\$ 285,794	
Depreciation Expense	(106,670)	
Excess of Capital Outlay Over Depreciation Expense		179,124

The net effect of various miscellaneous transactions involving capital assets, including sales, donations, and trade-ins, is to decrease net position. (5,387)

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. (32,048)

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	17,071	
Capital Lease Payments	3,040	
Total Long-Term Debt Repayment		20,111

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. (11,105)

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. 752

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.

Bonds Issued	(45,710)	
Bond Refunding Costs	(55)	
Bond Premium	(5,980)	
Total Amounts Related to Bond Issuance		(51,745)

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	2,547	
(Increase) Decrease in Compensated Absences	162	
(Increase) Decrease in Net Pension Costs	(24,386)	
(Increase) Decrease in Pollution Remediation	2,779	
Total Additional Expenditures		(18,898)

Change in Net Position of Governmental Activities **\$ 234,572**

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, 2017
(Expressed in Thousands)

Assets	Business-type Activities - Enterprise Funds					Governmental Activities
	Major				Total	Internal Service Funds
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor		
Current Assets:						
Cash and Cash Equivalents	\$ 8,990	\$ 21,663	\$ 15,527	\$ 219,755	\$ 265,935	\$ 64,910
Receivables:						
Interest and Dividends	50	2,931	1,961	518	5,460	226
Other Funds				334	334	8,341
Component Units				50	50	795
Other Governments		452	511	288	1,251	155
Loans and Notes, net		18,383	10,802	2,966	32,151	
Other, net	4,910			1,426	6,336	2,777
Investments		14,709	8,079		22,788	
Inventory				2,361	2,361	800
Advances to Component Units		987			987	
Other Assets	20			512	532	3,835
Total Current Assets	13,970	59,125	36,880	228,210	338,185	81,839
Restricted Assets:						
Restricted Cash	20	3			23	
Restricted Investments	452	96			548	
Other	641				641	
Investments		102,433	70,163		172,596	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant, and Equipment	4,263			11,456	15,719	105,275
Accumulated Depreciation	(3,664)			(5,381)	(9,045)	(72,017)
Construction in Progress				82	82	58
Total Capital Assets	599	0	0	6,452	7,051	33,316
Advances to Component Units		19,897			19,897	
Other Noncurrent Assets		221,956	145,369	38,180	405,505	
Total Assets	15,682	403,510	252,412	272,842	944,446	115,155
Deferred Outflows of Resources						
Deferred Outflow Related to Pensions	611	112	113	3,257	4,093	12,939
Deferred Amount from Refunding of Bonds		2,842	1,986		4,828	
Total Deferred Outflows of Resources	611	2,954	2,099	3,257	8,921	12,939
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,987	885	1,853	4,246	9,971	4,946
Payable to:						
Other Funds	6,443	1	2	373	6,819	1,427
Component Units					0	39
Escrow Payable	72				72	
Bonds, Notes, and Leases Payable		11,097	6,243		17,340	5,271
Claims, Judgments, and Compensated Absences	163	36	54	649	902	22,173
Accrued Interest Payable		2,833	877		3,710	
Unearned Revenue	313			1,291	1,604	11,491
Total Current Liabilities	9,978	14,852	9,029	6,559	40,418	45,347
Noncurrent Liabilities:						
Bonds, Notes, and Leases Payable		160,881	52,690		213,571	12,531
Claims, Judgments, and Compensated Absences	144	31	47	569	791	28,700
Net Pension Liability	253	47	41	1,343	1,684	5,382
Other Noncurrent Liabilities					0	47
Total Noncurrent Liabilities	397	160,959	52,778	1,912	216,046	46,660
Total Liabilities	10,375	175,811	61,807	8,471	256,464	92,007
Deferred Inflows of Resources						
Deferred Inflow Related to Pensions	4	1	1	22	28	89
Total Deferred Inflows of Resources	4	1	1	22	28	89
Net Position						
Net Investment in Capital Assets	599			6,461	7,060	15,513
Restricted for:						
Debt Service		99			99	
Pensions	354	64	71	1,892	2,381	7,468
Other	641			1,964	2,605	
Unrestricted	4,320	230,489	192,632	257,289	684,730	13,017
Total Net Position	\$ 5,914	\$ 230,652	\$ 192,703	\$ 267,606	\$ 696,875	\$ 35,998

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, 2017
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major					Internal
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Service Funds
Operating Revenue:						
Licenses, Permits, and Fees	\$ 1,491	\$	\$	\$ 16,580	\$ 18,071	\$
Use of Money and Property		5,536	3,602	1,388	10,526	
Sales and Services	155,267	1,427	917	9,959	167,570	229,970
Administering Programs				96	96	
Assessments				39,646	39,646	
Other Revenue				920	920	5,239
Total Operating Revenue	156,758	6,963	4,519	68,589	236,829	235,209
Operating Expenses:						
Personal Services and Benefits	2,015	367	812	11,813	15,007	42,764
Travel	130	9	14	1,006	1,159	811
Contractual Services	7,996	431	647	8,733	17,807	55,665
Supplies and Materials	713		1	6,199	6,913	13,001
Grant and Other	72	2,606	3,439	263	6,380	2
Interest		6,223	2,212		8,435	484
Depreciation/Amortization	238			138	376	8,198
Lottery Prizes	28,740				28,740	
Insurance Claims				32,554	32,554	127,498
Total Operating Expenses	39,904	9,636	7,125	60,706	117,371	248,423
Operating Income (Loss)	116,854	(2,673)	(2,606)	7,883	119,458	(13,214)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets				1	1	480
Loss on Disposal of Assets					0	(91)
Interest Income	148	4,183	2,931	3,630	10,892	158
Other Expense	(3)	(2)	(386)	(214)	(605)	(13)
Grant and Other Income	56	6,343	7,868	184	14,451	6
Total Nonoperating Revenue (Expenses)	201	10,524	10,413	3,601	24,739	540
Income (Loss) Before Capital Contributions and Transfers	117,055	7,851	7,807	11,484	144,197	(12,674)
Capital Contributions and Transfers:						
Capital Contributions				426	426	2
Transfers In				2,722	2,722	1,567
Transfers Out	(118,136)	(37)	(80)	(4,752)	(123,005)	
Net Capital Contributions and Transfers	(118,136)	(37)	(80)	(1,604)	(119,857)	1,569
Change in Net Position	(1,081)	7,814	7,727	9,880	24,340	(11,105)
Net Position at Beginning of Year	6,995	222,838	184,976	257,726	672,535	47,103
Net Position at End of Year	\$ 5,914	\$ 230,652	\$ 192,703	\$ 267,606	\$ 696,875	\$ 35,998

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, 2017
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental
	Major					Activities
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 156,521	\$ 1,358	\$ 948	\$ 62,295	\$ 221,122	\$ 85,341
Receipts from Interfund Services Provided				5,820	5,820	144,384
Receipts from Federal Agencies				157	157	
Receipts from Loan Payments		28,089	14,726	9,393	52,208	
Payments to Suppliers and for Benefits and Claims	(8,310)	(1,833)	(953)	(47,941)	(59,037)	(187,559)
Payments for Employee Services	(1,968)	(346)	(742)	(11,403)	(14,459)	(41,053)
Payments for Interfund Services Used	(904)			(1,529)	(2,433)	(8,985)
Payments for Lottery Prizes	(27,892)				(27,892)	
Payments for Principal Forgiveness		(559)	(3,054)		(3,613)	
Payments for Loans Originated		(34,371)	(14,321)	(4,658)	(53,350)	
Other Receipts (Payments)	(59)	(9)	(15)	370	287	5,240
Net Cash Provided (Used) by Operating Activities	117,388	(7,671)	(3,411)	12,504	118,810	(2,632)
Cash Flows From Capital and Related Financing Activities:						
Capital Contributions				426	426	
Purchases of Capital Assets				(199)	(199)	(3,091)
Construction in Progress				(871)	(871)	(58)
Sales of Capital Assets				1	1	1,108
Payments on Capital Lease Obligations					0	(5,663)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(643)	(643)	(7,704)
Cash Flows From Noncapital Financing Activities:						
Transfers In				3,222	3,222	1,439
Transfers Out	(118,028)	(37)	(80)	(4,706)	(122,851)	
Principal Payments on Bonds and Notes		(9,875)	(5,925)		(15,800)	
Interest Payments on Bonds and Notes		(6,932)	(2,174)		(9,106)	
Receipts for Administering Program		5,903	7,566		13,469	
Services Provided to Others				(195)	(195)	
Grants and Other Noncapital Financing Activities		430	209	183	822	75
Net Cash Provided (Used) by Noncapital Financing Activities	(118,028)	(10,511)	(404)	(1,496)	(130,439)	1,514
Cash Flows From Investing Activities:						
Investment Income	140	4,094	2,967	3,639	10,840	164
Investment Expense	(3)	(2)	(1)	(20)	(26)	(13)
Purchase of Investment Securities		(42,022)	(23,638)		(65,660)	
Proceeds from the Sale and Maturity of Investments		36,710	10,196		46,906	
Net Cash Provided (Used) by Investing Activities	137	(1,220)	(10,476)	3,619	(7,940)	151
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(503)	(19,402)	(14,291)	13,984	(20,212)	(8,671)
Cash and Cash Equivalents at Beginning of Year	9,513	41,068	29,818	205,771	286,170	73,581
Cash and Cash Equivalents at End of Year	\$ 9,010	\$ 21,666	\$ 15,527	\$ 219,755	\$ 265,958	\$ 64,910

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2017
(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
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 116,854	\$ (2,673)	\$ (2,606)	\$ 7,883	\$ 119,458	\$ (13,214)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	238			138	376	8,198
Bad Debt Expense				155	155	
Interest Expense		6,223	2,212	(58)	8,377	477
Miscellaneous Nonoperating Items	56			(90)	(34)	
Decrease/(Increase) in Assets:						
Accounts Receivable	(329)			192	(137)	(847)
Interest, Dividends & Penalties Receivable		(116)	146	116	146	
Loans and Notes Receivable		(11,701)	(3,343)	3,484	(11,560)	
Due From Other Funds				1,100	1,100	131
Due From Component Units				(1)	(1)	15
Due From Other Governments		(70)	32	97	59	(45)
Inventory				(95)	(95)	(237)
Other Assets	(4)			(449)	(453)	370
Other Restricted Assets	(8)				(8)	
Restricted Net Pension Asset	320	62	51	1,621	2,054	6,587
Decrease/(Increase) in Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	(11)	3	(17)	(193)	(218)	(528)
Increase/(Decrease) in Liabilities:						
Accounts Payable	485	644	78	(159)	1,048	(852)
Accrued Liabilities	(47)	2	23	12	(10)	2
Compensated Absences Payable	4	(1)	47	8	58	(165)
Due To Other Funds	9			102	111	117
Due To Other Governments	(17)				(17)	33
Unearned Revenue	49			(280)	(231)	(421)
Escrow Payable	7				7	
Policy Claim Liabilities						2,084
Other Liabilities	1			(30)	(29)	
Net Pension Liability	253	47	42	1,343	1,685	5,382
Increase/(Decrease) in Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	(472)	(91)	(76)	(2,392)	(3,031)	(9,719)
Net Cash Provided (Used) by Operating Activities	\$ 117,388	\$ (7,671)	\$ (3,411)	\$ 12,504	\$ 118,810	\$ (2,632)
Noncash Investing, Capital, and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$	\$	\$	\$	\$ 402
Capital Lease Obligations Entered Into						5,568
Transfers In (Out) of Fixed Assets						130

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, 2017
(Expressed in Thousands)

	South Dakota Retirement System Pension Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	\$ 6,957	\$ 2,754	\$ 20,971
Receivables:			
Employer	2,825		
Employee	3,053		
Benefits	154		
Unsettled Investment Sales	2,574		
Taxes Receivable			42,503
Due From Other Funds		122	
Investment Income	27,823	404	1
Other		21	446
Total Receivables	36,429	547	42,950
Investments, at Fair Value:			
Fixed Income	4,104,847		
Equities	5,637,233		
Real Estate	1,081,800		
Private Equity	781,987		
Pooled Investment Funds		233,109	
Total Investments	11,605,867	233,109	0
Properties, at cost	2,064	14,020	
Accumulated Depreciation	(101)		
Other Assets	16	12	
Total Assets	11,651,232	250,442	\$ 63,921
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,342	143	\$ 11,469
Due To Other Funds	126	228	
Due To Other Governments			52,452
Compensated Absences Payable	318		
Due To Brokers - Futures Transactions	1,501		
Unsettled Investment Purchases	2,906		
Total Liabilities	7,193	371	\$ 63,921
Net Position			
Restricted for Pension Benefits	11,644,039		
Restricted for Individuals and Other Governments		250,071	
Total Net Position	\$ 11,644,039	\$ 250,071	

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, 2017
(Expressed in Thousands)**

Additions	South Dakota Retirement System Pension Trust Fund	Private Purpose Trust Funds
Contributions:		
Employee	\$ 122,145	\$
Employer	121,908	
From Clients and Inmates		8,588
Other		7,059
Total Contributions	244,053	15,647
Investment Income:		
<i>From Investing Activities</i>		
Net Increase (Decrease) in Fair Value of Investments	1,141,222	18,869
Interest	119,449	
Dividends	129,519	
Real Estate	74,209	1,251
Pooled Interest and Dividends		3,931
Total Investment Activity Income	1,464,399	24,051
Less Investment Activity Expenses	(33,299)	
Net Investment Income (Loss)	1,431,100	24,051
<i>From Security Lending Activities</i>		
Securities Lending Income	1,253	3
Securities Lending Expenses	(376)	
Escheated Property		5
Miscellaneous Income		699
Total Additions	1,676,030	40,405
Deductions		
Benefits	517,012	
Refunds of Contributions	24,078	
Distribution to School Districts		10,196
Payments Made for Trust Purposes		9,182
Administrative Expenses	4,364	3
Total Deductions	545,454	19,381
Change in Net Position	1,130,576	21,024
Net Position at Beginning of Year	10,513,463	229,047
Net Position at End of Year	\$ 11,644,039	\$ 250,071

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



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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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. SDCD 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. SDCD 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 SDCD and the governing body is substantively the same as the governing body of the primary government, SDCD 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 or 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, 2016 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 been restated to reflect GASB pronouncements. The foundations' notes to the financial statements have not been restated 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 or 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 or 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, 2016.

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 is able to impose its will over The Property Captive and a financial benefit/burden relationship exists, 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, 2016.

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

The Statement of Net Position presents the reporting entity's nonfiduciary assets and 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, 2017, there was \$19,599,749 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, 2017, totaled \$22,637,628. The encumbrance amount is broken down by major fund and nonmajor fund below:

Fund	Amount Encumbered
Major Fund:	
General Fund	\$ 5,618,815
Transportation	6,032,751
Non-Major:	
Non-Major Total	<u>10,986,062</u>
Total	<u>\$ 22,637,628</u>

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 and demand deposits. 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 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.

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

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, 2017. 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, 2017, the commodities inventory was reported in the amount of \$1,492,993.

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 (including purchased software licenses) is capitalized when the cost of individual items is \$5,000 or more. Infrastructure assets are capitalized when the cost of the 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. 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 \$8,837,316 and \$375,585 respectively, as of June 30, 2017. 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 in the applicable governmental, business-type activities, or in the component units columns on the Government-wide Statement of Net Position. 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 in the applicable governmental, business-type activities, or in the component units columns on the Government-wide Statement of Net Position. 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, 2017, the amount of certificate of deposits and deposits in cash being held by the Lottery was \$471,181 and is included in cash and cash equivalents on the balance sheet. The amount of \$5,792,000 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 Revenue 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, 2017, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement 74, *Financial reporting for Postemployment Benefits Plans Other Than Pension Plans*

GASB Statement 77, *Tax Abatement Disclosures*

GASB Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*

GASB Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

GASB Statement 74. This Statement establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) in which: (a) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable. (b) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms. (c) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members. This Statement has no effect on the State of South Dakota.

GASB Statement 77. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The State of South Dakota has tax abatement agreements that reduce tax revenues. For additional information see *Note 17. Tax Abatements* in the Notes to the Financial Statements.

GASB Statement 78. This Statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement has no effect on the State of South Dakota.

GASB Statement 80. This Statement establishes an additional blending requirement for the financial statement presentation of component units. This Statement applies to all state and local governments. This Statement has no effect on previously reported component units of the State of South Dakota. During fiscal year 2017, the State of South Dakota had a new component unit that is reported as a blended component unit as a result of this Statement. For additional information see *Note 1. Summary of Significant Accounting Policies* in the Notes to the Financial Statements.

GASB Statement 82. This Statement establishes accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employers. This Statement also establishes financial reporting requirements for pension plans administered through trusts that meet the criteria in paragraph 3 of Statement 67. This Statement has no effect on the State of South Dakota other than certain clarifications in the required supplementary information.

Restatements – Primary Government

The beginning net position balance reported in the governmental activities column of the Government-wide Statement of Activities increased by \$12,772,927 because of Game, Fish, and Parks assets that were not capitalized in prior years.

Beginning fund balance for the South Dakota Soybean Research and Promotion Council fund, reported as a non-major governmental fund, decreased by \$1,114,068 for an error in reporting revenues. The beginning net position reported for governmental activities in the Government-wide Statement of Activities decreased by the same amount.

Restatements – Component Units

The beginning net position balance reported for Higher Education, reported as a major discretely component unit, increased by \$880,863 for errors in the reporting of receivables, liabilities, capital assets, and other miscellaneous reporting errors in prior years. This restatement has 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 \$16,782,041 for deficit cash balances that existed in various state funds at June 30, 2017, 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 March 10, 2017, any stocks, bonds, and other negotiable instruments will be sold within ninety days of confirmed receipt, unless involved in an open claim. As of June 30, 2017, the securities, for which cost at the time of acquisition is not readily available, have a market value of \$3,253,115, 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 76% of the Cash Flow Portfolio) and discretely presented component units (comprising 24% 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. At June 30, 2017, pledged collateral for all depositories equaled at least 100 percent of the total public deposits in excess of depository insurance. As a result, none of the Cash Flow Portfolio's certificates of deposit were 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, 2017, 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 \$16,258,081.

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 +7 days basis. At June 30, 2017, 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 \$826,789.

The Other Funds have no formal deposit policy specific to custodial credit risk. At June 30, 2017, 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 \$238,896.

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, 2017, the fair value of securities on loan was \$233,987,635, and the collateral held on the same date was \$239,582,135. 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, 2017, 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 \$222,057,156 in guaranteed investment contracts, Federal agency bonds, U.S. Treasury bonds, and U.S. Treasury notes not held in their name at June 30, 2017.

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 Citigroup 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 Citigroup 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):

<u>Investment Type</u>	<u>Cash Flow Portfolio</u>		<u>Retirement Portfolio</u>		<u>Trust Portfolios</u>		<u>Other Funds</u>	
	<u>Fair Value</u>	<u>Mod. Dur.</u>	<u>Fair Value</u>	<u>Mod. Dur.</u>	<u>Fair Value</u>	<u>Mod. Dur.</u>	<u>Fair Value</u>	<u>Mod. Dur.</u>
U.S. Treasuries	\$ 36,538	4.87	\$ 81,465	4.48	\$ 14,746	4.68	\$ 38,507	0.58
U.S. Treasury Bills			148,307	0.16	3,612	0.09		
U.S. Treasury STRIPS	33,652	8.00	171,179	8.00	32,542	8.00		
U.S. Treasury Inflation Protected Securities								
U.S. Agencies	236,812	2.01	53,129	6.09	10,096	6.09	15,612	0.66
U.S. Agency Discount Notes								
FDIC's Temporary Liquidity Guarantee Program								
U.S Government-backed Loans								
Investment Grade Corporates	661,730	2.20	395,176	4.85	73,202	4.84		
High-yield Corporates			558,959	3.78	1,680	5.99		
High-yield Bond Mutual Fund					57,498	4.30		
Agency Mortgage-backed Securities	66,498	5.31	314,356	5.00	59,305	4.93		
Non-agency Mortgage-backed Securities			669,337	0.68	61,415	0.66		
Municipal Bonds					45,716	4.57		
Commercial Paper							147,417	8.56
Total	\$ 1,035,230		\$ 2,391,908		\$ 359,812		\$ 201,536	
Portfolio Modified Duration		2.64		3.40		4.29		6.42

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, 2017, 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 Fair Value	Retirement Portfolios Fair Value	Trust Portfolios Fair Value	Other Funds Fair Value
Aaa	\$ 479,630	\$ 1,885,458	\$ 408,294	\$ 15,837
Aa	79,846	104,879	40,153	
A	452,171	178,907	40,027	
Baa	91,794	217,145	35,608	145,584
Ba		214,671	7,842	1,833
B		318,435	4,971	
Caa		278,562	13,552	
Ca		155,647	12,915	
D				
P-1				
Unrated		137,352	77,224	
Total	\$ 1,103,441	\$ 3,491,056	\$ 640,586	\$ 163,254

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, 2017, 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	\$ 7,351	\$ 81	\$ 7,432	\$	\$	\$
Brazilian Real	2,411	20	2,431			
British Pound	244,754	5,078	249,832	21,398	687	22,085
Canadian Dollar	81,319	396	81,715	5,741	20	5,761
Czech Koruna	718	10	728			
Danish Kroner	2,390		2,390			
Euro	262,527	8,463	270,990	21,746		21,746
Hong Kong Dollar	4,742	27	4,769			
Hungarian Forint	637		637			
Japanese Yen	138,010	2,056	140,066	7,830	119	7,949
South Korean Won	75,552		75,552	6,660		6,660
Norwegian Krone	1,098	26	1,124			
Singapore Dollar	489		489			
Swedish Krona	1,004	101	1,105			
Swiss Franc	239,614		239,614	24,662		24,662
Thai Baht	285		285			
Total Fair Value	\$1,062,901	\$ 16,258	\$ 1,079,159	\$ 88,037	\$ 826	\$ 88,863

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, 2017, was \$149,565,733. For the Retirement Portfolio, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2017, was \$1,863,787,125. The total fair value of global equity investments and high-yield fixed income investments managed by outside managers was \$172,592,832 and \$23,790,982, 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, 2017.

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, 2017, 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 pending variation margin at June 30, 2017 of (\$1,501,256) is presented in the Statement of Fiduciary Net Position as "Due to Brokers – Futures Transactions." The change in fair value of the futures contracts is presented in the Statement of Changes in Net Position as "Net appreciation in fair value of investments." The net change in fair value from futures contracts for fiscal year ended June 30, 2017 was (\$289,029,494).

At June 30, 2017, 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 2017	Long	3,125	\$100,000 par value 6% U.S. Treasury note	\$ 392,285,156
S&P 500 Index Future Due September 2017	Short	13,830		\$ (1,674,151,500)

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, 2017, the net change in fair value from foreign currency forward contracts was \$51,042. At June 30, 2017, 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	08/08/2017	\$ (658,942)

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, 2017, 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 (\$658,942).

Fair Value Measurement

Investments are reported at fair value as of June 30, 2017, 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, 2017 (Expressed in Thousands):

Cash Flow Portfolio:

	Cash Flow Fund Portfolio			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasuries	\$ 36,538	\$	\$ 36,538	\$
U.S. Treasury STRIPS	33,652		33,652	
U.S. Agencies	236,812		236,812	
Investment Grade Corporates	661,730		661,730	
Agency Mortgage-backed Securities	66,498		66,498	
Total Fixed Income Securities	1,035,230	0	1,035,230	0
Total Investments by Fair Value Level	1,035,230	\$ 0	\$1,035,230	\$ 0
Investments Measured at the Net Asset Value (NAV)				
Short-term Investment Funds	204,899			
Total Investments Measured at the NAV	204,899			
Total Investments Measured at the Fair Value	\$ 1,240,129			

Retirement Portfolio:

	Retirement Portfolio			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	\$ 81,465	\$	\$ 81,465	\$
U.S. Treasury Bills	148,307		148,307	
U.S. Treasury STRIPS	171,179		171,179	
U.S. Agencies	53,129		53,129	
Investment Grade Corporates	395,176		395,176	
High Yield Corporates	558,959		558,959	
Agency Mortgage-backed Securities	314,356		314,356	
Non-Agency Mortgage-backed Securities	669,336		669,336	
Total Fixed Income Securities	<u>2,391,907</u>	<u>0</u>	<u>2,391,907</u>	<u>0</u>
Equity Securities				
Domestic Stock	4,230,268	4,220,545	9,723	
Depository Receipts	71,982	71,982		
ETF - Exchange Traded Funds	135,760	135,760		
International Stock	1,062,901	1,062,901		
Stock Warrants	25,430		25,430	
Stock Warrants	19,378	19,378		
Total Equity Securities	<u>5,545,719</u>	<u>5,510,566</u>	<u>35,153</u>	<u>0</u>
Alternative Investments				
Real Estate Funds	1,353			1,353
Total Alternative Investments	<u>1,353</u>	<u>0</u>	<u>0</u>	<u>1,353</u>
Total Investments by Fair Value Level	<u>7,938,979</u>	<u>\$5,510,566</u>	<u>\$2,427,060</u>	<u>\$ 1,353</u>
Investments Measured at the Net Asset Value (NAV)				
Short-term Investment Funds	1,592,871			
Emerging Markets Small Cap Equity Mutual Funds	59,162			
Mult Strategy Hedge Funds	113,431			
Alternative Investments				
Real Estate Funds	1,080,447			
Private Equity Funds	781,987			
Other Funds	23,791			
Total Alternative Investments	<u>1,886,225</u>			
Total Investments Measured at the NAV	<u>3,651,689</u>			
Total Investments Measured at the Fair Value	11,590,668			
Plus: Cash Held by Fund Managers	16,478			
Less: G/L on FX Transactions	(659)			
Less: Accrued Monthly Interest	(620)			
Total	<u>\$11,605,867</u>			
Investment Derivative Instruments				
Futures Contracts (Liability)	\$ (1,501)	\$ (1,501)	\$	
Foreign Exchange Forward Contracts	(659)		(659)	
Total Investment Derivative Instruments	<u>\$ (2,160)</u>	<u>\$ (1,501)</u>	<u>\$ (659)</u>	

Trust Portfolios:

	Trust Portfolios			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income Securities				
U.S. Treasuries	\$ 14,746	\$	\$ 14,746	\$
U.S. Treasury Bills	3,612		3,612	
U.S. Treasury STRIPS	32,542		32,542	
U.S. Agencies	10,096		10,096	
Investment Grade Corporates	73,202		73,202	
High Yield Corporates	1,680		1,680	
Agency Mortgage-backed Securities	59,305		59,305	
Non-Agency Mortgage-backed Securities	61,415		61,415	
Municipal Bonds	45,716		45,716	
Total Fixed Income Securities	302,314	0	302,314	0
Equity Securities				
Domestic Stock	323,192	323,192		
Depository Receipts	14,669	14,669		
ETF - Exchange Traded Funds	11,160	11,160		
International Stock	88,037	88,037		
Total Equity Securities	437,058	437,058	0	0
Alternative Investments				
Other Funds				
Total Alternative Investments	0	0	0	0
Total Investments by Fair Value Level	739,372	\$ 437,058	\$ 302,314	\$ 0
Investments Measured at the Net Asset Value (NAV)				
Short-term Investment Funds	350,300			
High Yield Bond Mutual Funds	57,497			
Alternative Investments				
Real Estate Funds	102,065			
Private Equity Funds	46,063			
Other Funds	1,438			
Total Alternative Investments	149,566			
Total Investments Measured at the NAV	557,363			
Total Investments Measured at the Fair Value	\$ 1,296,735			

Other Funds:

	Other Funds			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasuries	\$ 59,028	\$	\$ 59,028	\$
U.S. Agencies	15,612		15,612	
Total Fixed Income Securities	74,640	0	74,640	0
Total Investments by Fair Value Level	\$ 74,640	\$ 0	\$ 74,640	\$ 0

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 Retirement and 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, 2017.

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 1 of the fair value hierarchy represents the pending variance margin on futures contracts which is calculated using quoted prices in active markets for identical securities. 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, 2017.

The following table summarizes the fair value, unfunded commitments, and redemption rules of those investments as of June 30, 2017 (Expressed in Thousands):

Investments Measured at the NAV

		Cash Flow Fund Portfolio		
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Short-term Investment Funds (a)	\$ 204,899	\$	Daily	0 days
Investments Measured at the Net Asset Value (NAV)	\$ 204,899			

Investments Measured at the NAV

	<u>Fair Value</u>	Trust Portfolios		
		<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Short-term Investment Funds (a)	\$ 350,300	\$	Daily	0 days
High Yield Bond Mutual Funds (b)	57,497		Daily	1 day
Alternative Investments				
Real Estate Funds (c)	102,065	112,449		
Private Equity Funds (d)	46,063	48,059		
Other Funds (e)	<u>1,438</u>			
Total Alternative Investments	<u>149,566</u>			
Investments Measured at the Net Asset Value (NAV)	<u>\$ 557,363</u>			

Investments Measured at the NAV

	<u>Fair Value</u>	Retirement Portfolio		
		<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Short-term Investment Funds (a)	\$ 1,592,871	\$	Daily	0 days
Emerging Markets Small Cap Equity Mutual Funds (f)	59,162		Daily	1 day
Multi Strategy Hedge Funds (g)	113,431		Monthly	5-30 days
Alternative Investments				
Real Estate Funds (c)	1,080,447	1,016,306		
Private Equity Funds (d)	781,987	912,624		
Other Funds (e)	<u>23,791</u>			
Total Alternative Investments	<u>1,886,225</u>			
Investments Measured at the Net Asset Value (NAV)	<u>\$ 3,651,689</u>			
Real Estate Funds (Level 3)	\$ 1,353			

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 fourteen (Trust Portfolios) and 24 (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 nine (Trust Portfolios) and 37 (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 two 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, 2017, the 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, 2017, investments in the amount of \$1,406,660 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, 2017, the Housing Development Authority and the Economic Development Finance Authority had investments maturing as follows (Expressed in Thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>Greater than 10</u>
U.S. Government Obligations	\$ 143,079	\$ 18,046	\$ 97,534	\$ 26,222	\$ 1,277
U.S. Treasury Notes	429	149	250	30	
Certificates of Deposit	13,243	5,371	7,663	209	
U.S. Agencies	640,229	6,999	79,534	43,853	509,843
Mutual Funds	232,578	232,578			
Municipal Bonds	380		295	85	
State Obligations	3,197		1,233	1,964	
Investment Agreements	186				186
Total	\$ 1,033,321	\$ 263,143	\$ 186,509	\$ 72,363	\$ 511,306

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, 2017, the Housing Development Authority and Economic Development Finance Authority investments had the following ratings (Expressed in Thousands):

<u>Moody's Rating</u>	<u>Fair Value</u>
Aaa	\$ 691,725
Aa	914
Unrated	8,771
Total Fair Value	\$ 701,410

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, 2017, 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, 2017, Housing Development Authority's investments held 5% or more of the following issuers: Federal Home Loan Mortgage Corporation (6.71%) and Federal National Mortgage Association (22.08%).

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, 2017, 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
JPMorgan Chase Bank, N.A. 2008 F	\$ 34,000	09/04/2008	3.85%	63.7% of LIBOR plus 0.31%	05/01/2039	Aa2	\$ (1,322)
Wells Fargo Bank 2015 E-1	25,000	12/17/2015	2.11%	66.4% of LIBOR plus 0.22%	11/01/2037	Aa1	(47)
2015 E-2	22,000	12/17/2015	66.4% of LIBOR plus 0.22%	22yr MMD plus 0.87%	11/01/2037	Aa1	291
2016 E-1	50,000	11/01/2016	2.21%	66.4% of LIBOR plus 0.23%	05/01/2037	Aa1	386
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	653
Bank of America, N.A. 2009 C	22,000	11/18/2009	3.14%	64.0% of LIBOR plus 0.22%	05/01/2039	A1	(894)
Merrill Lynch Derivative Products, AG. MPB 2008 A	6,685	08/02/2008	3.55%	63.8% of LIBOR plus 0.20%	05/01/2048	Aa3	(234)

* Moody's Investors Service

The fair values presented above were estimated by the Housing Development Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations, along with consideration for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2017. 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, 2017, 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, 2017, 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 1.27% 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, 2017 (Expressed in Thousands):

Year-end June 30	Variable-rate Bond		Interest Rate	Total
	Principal	Interest	Swap – Net	
2018	\$ 105	\$ 3,290	\$ (41)	\$ 3,354
2019	110	3,289	247	3,646
2020	120	3,288	535	3,943
2021	120	3,286	532	3,938
2022	130	3,285	529	3,944
2023-2027	1,370	16,405	2,592	20,367
2028-2032	47,755	14,401	2,162	64,318
2033-2037	70,645	6,100	2,244	78,989
2038-2042	15,285	359	894	16,538
2043-2047	1,670	101	252	2,023
2048-2051	375	9	23	407
Total	\$ 137,685	\$ 53,813	\$ 9,969	\$ 201,467

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, 2017.

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, 2017, are as follows:

Forward Contracts to sell TBA Mortgage- Backed Securities	Notional Amount June 30	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30	Moody's Credit Rating
Bank of New York Mellon						
FNMA	\$ 500,000	4/18/2017	7/13/2017	4.00%	\$ 469	Aaa
FNMA	800,000	5/11/2017	8/14/2017	4.00%	(4,875)	Aaa
GNMA II	76,988	6/16/2017	7/20/2017	4.00%	84	Not rated
Bank of America Merrill Lynch						
GNMA II	1,000,000	5/19/2017	8/21/2017	3.00%	3,750	Not rated
Bank of Oklahoma						
GNMA II	1,300,000	4/26/2017	7/20/2017	3.50%	(3,656)	Not rated
FNMA	800,000	5/11/2017	8/14/2017	3.50%	(6,250)	Aaa
GNMA II	1,000,000	5/15/2017	7/20/2017	3.00%	625	Not rated
GNMA II	1,000,000	5/22/2017	8/21/2017	3.50%	3,281	Not rated
FNMA	500,000	5/31/2017	8/14/2017	3.50%	1,680	Aaa
FNMA	1,000,000	6/13/2017	9/13/2017	4.00%	2,266	Aaa
FNMA	1,000,000	6/16/2017	9/13/2017	3.50%	4,492	Aaa
GNMA II	1,000,000	6/16/2017	8/21/2017	3.00%	7,031	Not rated
GNMA II	134,117	6/16/2017	7/20/2017	3.50%	482	Not rated
GNMA II	1,000,000	6/21/2017	9/21/2017	3.50%	3,984	Not rated
GNMA II	1,000,000	6/28/2017	9/21/2017	3.50%	3,203	Not rated
ED&F Man Capital Markets						
FNMA	500,000	4/20/2017	7/13/2017	3.50%	(938)	Aaa
GNMAII	1,000,000	4/21/2017	7/20/2017	3.50%	1,445	Not rated
FNMA	500,000	4/26/2017	7/13/2017	3.50%	(2,734)	Aaa
FNMA	500,000	4/26/2017	7/13/2017	4.00%	(2,188)	Aaa
GNMAII	1,000,000	4/26/2017	7/20/2017	3.00%	(1,563)	Not rated
GNMAII	1,000,000	5/1/2017	7/20/2017	3.50%	(1,406)	Not rated
FNMA	500,000	5/4/2017	7/13/2017	3.50%	(2,656)	Aaa
FNMA	500,000	5/4/2017	7/13/2017	4.00%	(1,875)	Aaa
GNMAII	1,000,000	5/9/2017	7/20/2017	3.00%	(2,578)	Not rated
GNMAII	800,000	5/10/2017	7/20/2017	3.50%	(2,438)	Not rated
FNMA	1,000,000	5/17/2017	8/14/2017	3.50%	3,281	Aaa
FNMA	500,000	5/18/2017	8/14/2017	4.00%	1,523	Aaa
FNMA	500,000	5/25/2017	8/14/2017	3.00%	938	Aaa
GNMAII	1,000,000	5/25/2017	8/21/2017	3.00%	5,313	Not rated
GNMAII	1,000,000	5/25/2017	8/21/2017	3.50%	4,531	Not rated
GNMAII	1,800,000	6/5/2017	8/21/2017	3.50%	9,281	Not rated
FNMA	500,000	6/7/2017	8/14/2017	4.00%	2,188	Aaa
GNMAII	500,000	6/7/2017	8/21/2017	3.00%	5,039	Not rated
FNMA	(1,088,180)	6/8/2017	7/13/2017	3.50%	(4,931)	Aaa
GNMAII	1,200,000	6/9/2017	8/21/2017	3.50%	5,344	Not rated
GNMAII	1,500,000	6/15/2017	8/21/2017	3.50%	7,031	Not rated
GNMAII	1,012,436	6/16/2017	7/20/2017	3.50%	3,955	Not rated
FNMA	800,000	6/21/2017	9/13/2017	4.00%	2,063	Aaa
GNMAII	1,000,000	6/22/2017	9/21/2017	3.00%	8,047	Not rated
GNMAII	3,000,000	6/26/2017	7/20/2017	3.50%	19,219	Not rated
GNMAII	(3,000,000)	6/26/2017	7/20/2017	3.50%	(13,125)	Not rated
FNMA	500,000	6/27/2017	9/13/2017	3.50%	1,738	Aaa
GNMAII	1,000,000	6/29/2017	9/21/2017	3.00%	2,813	Not rated
	\$ 32,135,361				\$ 63,883	

Fair Value Measurement

Investments are reported at fair value as of June 30, 2017, 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, 2017 (Expressed in Thousands):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
U.S. Treasuries	\$ 143,508	\$	\$ 143,508	\$
U.S. Agencies	640,229		640,229	
Money Market Mutual Funds	232,578	232,578		
Investment Grade Corporates	186		186	
Municipal Bonds	380			
Certificates of Deposit	13,243		13,244	
State Obligations	3,197		3,197	
Total Investments by Fair Value Level	<u>\$ 1,033,321</u>	<u>\$ 232,578</u>	<u>\$ 800,364</u>	<u>\$ 0</u>
Hedging Derivative Instruments				
Interest Rate Swaps	\$ (1,167)	\$	\$ (1,167)	\$
Forward MBS Contracts	64		64	
Total Hedging Derivative Instruments	<u>\$ (1,103)</u>	<u>\$ 0</u>	<u>\$ (1,103)</u>	<u>\$ 0</u>

For the Finance Authority, First National Bank serves as trustee uses a pricing service, Standard and Poor's Securities Evaluation Incorporated (SPSE), to value investments. SPSE 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 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							Total
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	
Taxes Receivable	\$142,843	\$ 17,923	\$	\$	\$	\$ 3,478	\$	\$ 164,244
Allowance	(13,896)	(30)						(13,926)
Accounts Receivable	28,193	667	23,418			16,141	2,777	71,196
Allowance	(5,964)	(405)				(171)		(6,540)
Due From Other Governments	1,282	55,211	24,830			84,620	155	166,098
Interest Receivable	1,916	466	3	576	1,196	1,304	226	5,687
Current Loans and Notes		200				5,542		5,742
Non-current Loans and Notes		7,356				50,050		57,406
Due From Fiduciary Funds	192						126	318
Receivables, net	\$154,566	\$ 81,388	\$ 48,251	\$ 576	\$ 1,196	\$ 160,964	\$3,284	\$ 450,225

	Business-type Activities					Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds		
Accounts Receivable	\$ 4,928	\$	\$	\$ 3,449	\$	8,377
Allowance	(18)			(2,023)		(2,041)
Due From Other Governments		452	511	288		1,251
Interest Receivable	50	2,931	1,961	518		5,460
Current Loans Receivable		18,383	10,802	3,027		32,212
Allowance				(61)		(61)
Noncurrent Loans Receivable		221,956	145,369	39,655		406,980
Allowance				(1,475)		(1,475)
Due From Fiduciary Funds				36		36
Receivables, net	\$ 4,960	\$243,722	\$ 158,643	\$ 43,414	\$	\$ 450,739

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							Total
	General Fund	Transportation Fund	Social Services Federal Fund	Dakota Cement Trust	Educational Enhancement Trust	Non-major Governmental Funds	Internal Service Funds	
Payroll and Withholdings	\$ 14,359	\$ 5,118	\$ 2,273	\$	\$	\$ 9,095	\$ 2,495	\$ 33,340
Accounts Payable	18,412	39,635	5,850			21,098	2,290	87,285
Medicaid and CHIP Claims	24,687		32,157			7,266		64,110
Due to Other Governments	1,501	9,499	118			31,181	161	42,460
Bank Tax Refund	10,129							10,129
Shared Revenue Distribution	17,144					30,085		47,229
Claims Payable							14,127	14,127
Due to Fiduciary Funds	110							110
Total	\$ 86,342	\$ 54,252	\$ 40,398	\$ 0	\$ 0	\$ 98,725	\$ 19,073	\$ 298,790

	Business-type Activities					Total
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds		
Payroll and Withholdings	\$ 120	\$ 22	\$ 40	\$ 679		\$ 861
Accounts Payable	2,396	863	263	3,496		7,018
Due to Fiduciary Funds				12		12
Escrow Payable	72					72
Other Liabilities	471			71		542
Total	\$ 3,059	\$ 885	\$ 303	\$ 4,258		\$ 8,505

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2017, 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	\$	\$	\$ 5,404	\$ 19,378	\$ 18,552	\$ 5,074	\$	\$	\$ 1	\$ 10	\$ 192	\$ 48,611
Transportation Fund					1,467	32				2	409	1,910
Non-major Governmental Funds	521	145	382		2,071	1,219			188	175		4,701
Non-major Enterprise Funds	29	4	13		221					31	36	334
Internal Service Funds	2,528	1,093	813		2,688	118	1	2	170	802	126	8,341
Fiduciary Funds	110								12			122
Total	\$ 3,188	\$ 1,242	\$ 6,612	\$ 19,378	\$ 24,999	\$ 6,443	\$ 1	\$ 2	\$ 373	\$ 1,427	\$ 354	\$ 64,019

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	\$	\$ 7,710	\$ 431	\$ 1,567	\$ 9,759
Transportation Fund	3,454			1,057			4,511
Social Services Federal Fund				179			179
Dakota Cement Trust Fund	11,982						11,982
Education Enhancement Trust Fund	19,378						19,378
Non-major Governmental Funds	71,237	6,162	8,226	11,058	71		96,754
Lottery Fund	112,329	147		5,660			118,136
Clean Water State Revolving Fund				37			37
Drinking Water State Revolving Fund				80			80
Non-major Enterprise Funds	1,459			1,073	2,220		4,752
Total	\$ 219,839	\$ 6,360	\$ 8,226	\$ 26,854	\$ 2,722	\$ 1,567	\$ 265,568

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 2017, \$206,252,629 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 2017 (Expressed in Thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 116,084	\$ 3,761	\$ 120	\$ 119,725
Land Improvements	9,072	396		9,468
Land & Improvements - Roads	618,701	5,337		624,038
Construction in Progress, as restated	281,084	223,640	109,528	395,196
Total Capital Assets Not Being Depreciated	1,024,941	233,134	109,648	1,148,427
Capital Assets Being Depreciated:				
Land Improvements	30,607	16,308		46,915
Buildings, as restated	649,839	38,826	1,811	686,854
Equipment	225,662	17,044	9,307	233,399
Intangible Assets - Software	79,269	6,195	4,197	81,267
Vehicles	161,349	16,312	11,430	166,231
Infrastructure	3,855,757	76,051	7,550	3,924,258
Total Capital Assets Being Depreciated	5,002,483	170,736	34,295	5,138,924
Less: Accumulated Depreciation for:				
Land Improvements	13,182	1,644		14,826
Buildings, as restated	226,744	17,722	1,666	242,800
Equipment	136,036	15,017	8,046	143,007
Intangible Assets - Software	55,145	5,560	4,059	56,646
Vehicles	83,947	11,666	9,612	86,001
Infrastructure	1,542,829	64,282	5,278	1,601,833
Total Accumulated Depreciation	2,057,883	115,891	28,661	2,145,113
Total Capital Assets Being Depreciated, Net	2,944,600	54,845	5,634	2,993,811
Total Governmental Activities, Net	\$ 3,969,541	\$ 287,979	\$ 115,282	\$ 4,142,238

Continued on next page

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 295	\$	\$	\$ 295
Construction in Progress	3,797	870	4,585	82
Total Capital Assets Not Being Depreciated	4,092	870	4,585	377
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008	4,583		8,591
Equipment	3,690	201	29	3,862
Intangible Assets - Software	2,341			2,341
Total Capital Assets Being Depreciated	10,963	4,784	29	15,718
Less: Accumulated Depreciation for:				
Land Improvements	632	14		646
Buildings	3,304	9		3,313
Equipment	3,229	122	29	3,322
Intangible Assets - Software	1,532	231		1,763
Total Accumulated Depreciation	8,697	376	29	9,044
Total Capital Assets Being Depreciated, Net	2,266	4,408		6,674
Total Business-type Activities, Net	\$ 6,358	\$ 5,278	\$ 4,585	\$ 7,051

Depreciation was charged to the function of government as follows:

Governmental Activities	Amount
Unallocated	\$ 53
General Government	12,030
Health, Human, and Social Services	5,126
Law, Justice, Public Protection, and Regulation	11,565
Agriculture and Natural Resources	4,436
Transportation	78,729
Education	3,950
Economic Resources	2
Total Governmental Activities	\$115,891
Business-type Activities	
Enterprise Funds	\$ 376

B. Component Units

Capital Assets for component units consisted of the following for fiscal year 2017 (Expressed in Thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Higher Education*:				
Capital Assets Not Being Depreciated:				
Land, as restated	\$ 27,220	\$	\$	\$ 27,220
Construction in Progress, as restated	170,475	86,083	200,083	56,475
Works of Art and Historical Treasures	9,206	7		9,213
Total Capital Assets Not Being Depreciated	206,901	86,090	200,083	92,908
Capital Assets Being Depreciated:				
Land Improvements, as restated	46,804	4,302	627	50,479
Infrastructure, as restated	72,101	8,719		80,820
Buildings, as restated	1,102,692	189,725	1,205	1,291,212
Equipment and Other Assets, as restated	263,611	11,666	4,514	270,763
Total Capital Assets Being Depreciated	1,485,208	214,412	6,346	1,693,274
Less: Accumulated Depreciation for:				
Land Improvements, as restated	19,527	2,270	251	21,546
Infrastructure, as restated	24,671	2,794		27,465
Buildings, as restated	372,281	34,186	1,061	405,406
Equipment and Other Assets, as restated	202,297	13,209	3,989	211,517
Total Accumulated Depreciation	618,776	52,459	5,301	665,934
Total Capital Assets Being Depreciated, Net	866,432	161,953	1,045	1,027,340
Total Higher Education Capital Assets, Net	1,073,333	248,043	201,128	1,120,248
* Higher Education amounts do not include their foundations.				
Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land	220			220
Total Capital Assets Not Being Depreciated	220	0	0	220
Capital Assets Being Depreciated:				
Land Improvements	1,262			1,262
Buildings	4,949		42	4,907
Equipment	3,957	269	117	4,109
Total Capital Assets Being Depreciated	10,168	269	159	10,278
Less: Accumulated Depreciation for:				
Land Improvements	683	38		721
Buildings	963	126	42	1,047
Equipment and Other Assets	2,943	302	115	3,130
Total Accumulated Depreciation	4,589	466	157	4,898
Total Capital Assets Being Depreciated, Net	5,579	(197)	2	5,380
Total Housing Development Authority Capital Assets, Net	5,799	(197)	2	5,600

Continued on next page

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,579	\$ 235	\$	\$ 1,814
Underground Mine	17,768	169		17,937
Archive Materials	70			70
Construction in Progress	19,259	926	388	19,797
Total Capital Assets Not Being Depreciated	<u>38,676</u>	<u>1,330</u>	<u>388</u>	<u>39,618</u>
Capital Assets Being Depreciated:				
Building Improvements	37,007	45		37,052
Buildings	7,223	282		7,505
Equipment	10,903	622	116	11,409
Equipment Under Capital Leases	884			884
Vehicles	86	23		109
Infrastructure	1,659	300		1,959
Total Capital Assets Being Depreciated	<u>57,762</u>	<u>1,272</u>	<u>116</u>	<u>58,918</u>
Less: Accumulated Depreciation for:				
Building Improvements	5,029	980		6,009
Buildings	1,608	146		1,754
Equipment	4,080	782	116	4,746
Equipment Under Capital Leases	539	138		677
Vehicles	64	6		70
Infrastructure	250	44		294
Total Accumulated Depreciation	<u>11,570</u>	<u>2,096</u>	<u>116</u>	<u>13,550</u>
Total Capital Assets Being Depreciated, Net	<u>46,192</u>	<u>(824)</u>	<u>0</u>	<u>45,368</u>
Total Science and Technology Authority Capital Assets, Net	<u>84,868</u>	<u>506</u>	<u>388</u>	<u>84,986</u>
Ellsworth Development Authority				
Capital Assets Not Being Depreciated:				
Land and Easements	556	4,108	4,313	351
Total Capital Assets Not Being Depreciated	<u>556</u>	<u>4,108</u>	<u>4,313</u>	<u>351</u>
Capital Assets Being Depreciated:				
Equipment	4			4
Buildings	17,199			17,199
Improvements	6,921			6,921
Total Capital Assets Being Depreciated	<u>24,124</u>	<u>0</u>	<u>0</u>	<u>24,124</u>
Less: Accumulated Depreciation for:				
Equipment	4			4
Buildings	1,089	573		1,662
Improvements	531	277		808
Total Accumulated Depreciation	<u>1,624</u>	<u>850</u>	<u>0</u>	<u>2,474</u>
Total Capital Assets Being Depreciated, Net	<u>22,500</u>	<u>(850)</u>	<u>0</u>	<u>21,650</u>
Total Ellsworth Development Authority Capital Assets, Net	<u>23,056</u>	<u>3,258</u>	<u>4,313</u>	<u>22,001</u>
Total Discretely Presented Component Units, Net	<u>\$ 1,187,056</u>	<u>\$ 251,610</u>	<u>\$ 205,831</u>	<u>\$ 1,232,835</u>

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, 2017, are as follows (Expressed in Thousands):

	<u>Amount</u>
Primary Government	
Governmental Activities	
Land Improvements	\$ 51
Buildings and Structures	14,772
Equipment	572
Vehicles	685
Intangibles - Computer Software	52,645
Infrastructure	<u>326,471</u>
Total Governmental Activities	<u>395,196</u>
Business - Type Activities	
Intangibles - Computer Software	<u>82</u>
Total Business - Type Activities	<u>82</u>
Total Primary Government	<u>\$ 395,278</u>
Discretely Presented Component Units	
Higher Education*	
Land Improvements	\$ 1,680
Buildings and Structures	52,713
Infrastructure	1,833
Equipment	248
Science and Technology	
Buildings and Structures	1,191
Infrastructure	<u>18,607</u>
Total Discretely Presented Component Units	<u>\$ 76,272</u>

* Higher Education amounts do not include their foundations.

Construction has temporarily stopped 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 \$36.9 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 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.

SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of contributory service. Class A members and Class B judicial members who retire after age 65 with three years of service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B judicial members where the sum of age and credited service is equal to or greater than 80. Class B 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 public safety members where the sum of age and credited service is equal to or greater than 75. All retirement benefits that do not meet the above criteria may be payable at a reduced level. Class C Cement Plant Retirement members have a normal retirement age of 65 and early retirement is age 55 with the required credited service. Class C provides for disability payments for those disabled on or before March 16, 2001. All participants of the Plan on March 15, 2001, were 100% vested.

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 market value funded ratio is 100% or more – 3.1% COLA
- If the SDRS market 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 market value funded ratio is less than 80% – 2.1% COLA

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, 2017. 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* in the Notes to the Financial Statements.

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 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, 2016 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 2017 were \$26,313,146, during fiscal year 2016 were \$25,405,798, and during fiscal year 2015 were \$24,588,311. Contributions for the State's component units during fiscal year 2017 were \$19,150,787, during fiscal year 2016 were \$18,149,387, and during fiscal year 2015 were \$17,493,492.

State's Proportionate Share of SDRS

For fiscal year 2017, the State and its component units used a July 1, 2015, to June 30, 2016, measurement date for reporting purposes.

The State's proportionate share of SDRS's collective net pension liability is 22.2682036% or \$75,219,804 using a June 30, 2016, measurement date. This percentage was measured based on all employer contributions from July 1, 2015, through June 30, 2016. Pension expenses for the State were \$52,914,315 and contributions subsequent to the measurement date were \$26,313,146. The State's proportionate share decreased by .1815718% over the prior fiscal year's proportionate share of 22.4497754%.

The State's component unit's proportionate share of SDRS's collective net pension liability is 15.9237952% or \$53,789,015 using a June 30, 2016, measurement date. This percentage was measured based on all employer contributions from July 1, 2015 through June 30, 2016. Pension expenses for component units were \$37,759,114 and contributions subsequent to the measurement date were \$19,150,787. The State's component unit's proportionate share decreased by .0424253% over the prior fiscal year's proportionate share of 15.9662205%.

The components of the net pension asset of the System at June 30, 2016, were as follows:

	State of South Dakota Proportionate Allocation <u>22.2682036%</u>	Discretely Presented Component Units Proportionate Allocation <u>15.9237952%</u>
Total Pension Liability	\$ 2,416,378,956	\$ 1,727,931,193
Plan Fiduciary Net Position	(2,341,159,152)	(1,674,142,178)
Net Pension (Asset) Liability	<u>\$ 75,219,804</u>	<u>\$ 53,789,015</u>

Fiduciary Net Position as a Percentage of Net Pension Liability	96.9%	96.9%
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Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.25%
Salary Increase:	5.83% at entry to 3.87% after 30 years of service
Discount Rate:	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period of July 1, 2005, to June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Discount rate – The discount rate used to measure the total pension liability was 7.25% through FY 2017 and 7.50% thereafter. 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, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<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%
Total	<u>100%</u>	

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 liability of \$75,219,804 using a June 30, 2016, measurement date, calculated using the discount rate of 7.25% through fiscal year 2017 and 7.50% thereafter, as well as what the System's net pension asset would be if it were calculated using a discount rate that is 1% point lower (6.25/6.50%) or 1% point higher (8.25/8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
State's Proportionate Share of SDRS's Net Pension (Asset) Liability	\$ 420,929,022	\$ 75,219,804	\$ (206,743,191)
Discretely Presented Component units Proportionate Share of SDRS Net Pension (Asset) Liability	301,002,616	53,789,016	(147,840,225)

Deferred Outflows and Inflows of Resources Related to Pensions – The Deferred Outflows and Inflows of Resources related to pensions at June 30, 2017, 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	\$ 26,186	\$	\$ 18,725	\$
Changes in Assumptions	45,053		32,217	
Net Differences between Projected and Actual Earnings on Pension Plan Investments	83,670		59,832	
Changes in Proportionate Share and Differences between Contributions and Proportionate Share of Contributions	328	875	978	71
Contributions Subsequent to the Measurement Date	26,313		19,151	
Total	<u>\$ 181,550</u>	<u>\$ 875</u>	<u>\$ 130,903</u>	<u>\$ 71</u>

The \$26.3 million and the \$19.2 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, 2016. 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>
2018	\$ 41,798	\$ 29,890
2019	25,160	18,288
2020	52,856	38,092
2021	34,548	25,411
Total	<u>\$ 154,362</u>	<u>\$ 111,681</u>

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, 2016, the most recent actuarial valuation date, the plan had 8 active participants, 1 vested terminated participant, and 216 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.

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.

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, 2017, (Expressed in Thousands):

	General	Trans- portation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor Governmental Funds	Total
Nonspendable							
Inventory	\$ 3,388	\$ 18,976	\$ 36	\$	\$	\$ 1,915	\$ 24,315
Prepays	3,070	425	832			1,733	6,060
Permanent Fund Principal					366,547	136,504	503,051
Total Non-Spendable Fund Balances	6,458	19,401	868	0	366,547	140,152	533,426
Restricted							
Education				316,484	168,568	11,006	496,058
Health and Public Assistance						65,265	65,265
Law , Justice, and Public Protection						19,151	19,151
Economic Development	3,300					42,367	45,667
Transportation		175,053					175,053
Agriculture and Natural Resources						84,694	84,694
Energy Conservation or Development						11,640	11,640
Game and Fish						15,079	15,079
Parks and Recreation						7,529	7,529
Public Buildings						547	547
Public Broadcasting						410	410
Railroads						29,168	29,168
Debt Service						26,183	26,183
Capital Projects						52,238	52,238
Other						7,776	7,776
Total Restricted Fund Balances	3,300	175,053	0	316,484	168,568	373,053	1,036,458
Committed							
Education						213	213
Health and Public Assistance						3,352	3,352
Law , Justice, and Public Protection						13,647	13,647
Agriculture and Natural Resources						4,434	4,434
Environmental Cleanup						2,867	2,867
Energy Conservation or Development						3,422	3,422
Public Buildings						2,807	2,807
Railroads						471	471
Other						7,727	7,727
Total Committed Fund Balances	0	0	0	0	0	38,940	38,940
Assigned							
Education	10,174					6,606	16,780
Higher Education	1,994						1,994
Health and Public Assistance	4,007		1,029			10,071	15,107
Law , Justice, and Public Protection	1,793					1,783	3,576
Agriculture and Natural Resources	305					1,922	2,227
Tourism Promotion	4,234						4,234
Public Buildings	19,981					5,067	25,048
Economic Development	8,615						8,615
Other	3,732					2,926	6,658
Total Assigned Fund Balances	54,835	0	1,029	0	0	28,375	84,239
Unassigned Fund Balances *	249,087					(5,742)	243,345
Total Fund Balances	\$ 313,680	\$ 194,454	\$ 1,897	\$ 316,484	\$ 535,115	\$ 574,778	\$ 1,936,408

* This amount includes \$121,323,000 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, 2017, was \$121,323,000 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, 2017, 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, 2017, the following equity balances are included within the State's General Fund in accordance with GASB 54 (Expressed in Thousands):

Fund Balance - June 30, 2017 as reported	\$ 313,680
Less: Statutorily Created Funds Combined with the General Fund	
Tourism Promotion - assigned for Tourism Promotion	4,234
Investment Council Operating - assigned for Other	1,605
Private Activity Bond - assigned for Other	482
Teen Court - assigned for Other	70
Fine Arts - assigned for Other	318
Economic Development - assigned for Economic Development	1,228
Local Infrastructure Improvement - assigned for Economic Development	6,214
Workforce Education - assigned for Education	5,925
Building South Dakota - assigned for Economic Development, Education, and Health and Public Assistance	2,370
Extraordinary Litigation Expense - unassigned	(73)
Legislative Contingency Fund - unassigned	853
Unclaimed Property - unassigned	27
Fund Balance - June 30, 2017 excluding GASB 54 combinations	<u>\$ 290,427</u>

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, 2017, the following equity balance was included within the State's General Fund (Expressed in Thousands):

The Immigrant Investor Program (EB-5 Program):

Fund Balance - June 30, 2017 excluding GASB 54 combinations	\$ 290,427
Less: SDRC Funds Combined with the General Fund	
SDRC Indemnification Fund One Account - restricted for Economic Development	3,300
Fund Balance - June 30, 2017 excluding all combinations	<u>\$ 287,127</u>

Net Position Restricted by Enabling Legislation

The Government-wide Statement of Net Position reports \$1.59 billion of restricted net position for the primary government of which \$158.3 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Funds Held as Permanent Investments

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in special revenue funds for this purpose have their principal balance 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, 2017, 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, 2017, are summarized as follows (Expressed in Thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Education Enhancement Trust	\$ 168,568	\$ 366,547	\$ 535,115
Health Care Trust	52,188	85,631	137,819
Permanent	(186)	50,873	50,687
Total	\$ 220,570	\$ 503,051	\$ 723,621

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2017 (Expressed in Thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	\$ 23,231
Special Revenue:	
State Fire Suppression	3,861
Law Enforcement Revolving	484
Railroad Administration	127
Public Utilities Commission Federal	95
Animal Damage Control	61

11. COMMITMENTS

Construction and Other Commitments: At June 30, 2017, the Department of Transportation had contractual construction commitments of \$271,736,243 for various highway projects, miscellaneous commitments of \$1,167,194, work in progress commitments of \$1,140,133, and maintenance commitments (including stockpile) of \$5,784,848. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes. Department of Transportation also had \$6,032,800 encumbered for contract maintenance.

The Department of Environment and Natural Resources had construction and other contractual commitments of \$129,602,448 for various water development projects. Financing for these future expenditures will be from approved federal grants, legislative appropriations, and a bond issue. These commitments relate to the following funds/programs:

Clean Water State Revolving Fund	\$ 65,312,111
Drinking Water State Revolving Fund	23,915,776
Water and Environment Fund Program	36,915,167
Federal Funds	3,459,394
Total	\$ 129,602,448

The South Dakota Building Authority had contracts and other construction commitments of \$63,256,735.

The South Dakota Housing Development Authority had commitments to fund the Homeownership Program aggregating \$68,538,960. Financing for these commitments will be from home-ownership mortgage bonds.

The Governor's Office of Economic Development had construction and other contractual commitments of \$62,704,075. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, an employer's investment in South Dakota's future fee, and general appropriations. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
REDI Fund Loans	\$ 7,771,506
Community Development Block Grant (CDBG)	11,838,278
Future Fund Program	10,159,708
Energy Program Loans	505,060
SD Works Committee Approved	5,074,000
Economic Development Partnership Program	375,000
Local Infrastructure Improvement Program	3,159,063
Reinvestment Payment Program	23,436,620
Energy Efficiency Community Block Grant (EECDBG)	103,651
Ethanol Infrastructure Program	281,189
Total	\$ 62,704,075

The South Dakota Science and Technology Authority had a contractual commitment of \$3,869,234 for Xenon procurement.

The South Dakota Soybean Research and Promotion Council had commitments of \$4,544,000 for projects related to soybean research, promotion, and other various activities aimed at enhancing consumer and producer awareness of soybeans and soybean related issues.

The South Dakota Corn Utilization Council executed a letter of commitment, in June 2017, to provide South Dakota State University Foundation with annual installments of no less than \$300,000, not to exceed \$3,000,000, and running no longer than 10 years. This commitment is conditional based on the construction of a new precision agriculture facility. \$1,500,000 of the \$3,000,000 total commitment was paid in the fiscal year ended June 30, 2017. For additional information see *Note 18. Related Party Transactions* in the Notes to the Financial Statements.

The South Dakota Wheat Utilization, Research, and Market Development Commission had commitments of \$990,891 for projects relating to research, promotion, and other various activities aimed at enhancing producer awareness of wheat and wheat related issues.

The Animal Industry Board had construction commitments of \$4,054,000.

Higher Education had construction commitments of \$77,996,510.

The Department of Corrections had a contractual commitment with private providers for juvenile placement services totaling \$10,684,551. These will be funded through general and federal funds.

The Department of Game, Fish, & Parks had financial commitments totaling \$3,896,667 for capital development projects that will be completed throughout fiscal year 2018 and fiscal year 2019. Department generated funds and multiple federal funding sources will be used to meet the required obligations.

The Department of Revenue had contractual commitments with Intellectual Technology, Inc. for the State of South Dakota centralized production and distribution of license plates. Contract period is 09/01/2015 through 09/01/2025. The total contract amount shall not exceed \$12,625,343 for every five years of the term. For fiscal year 2018, approximately \$750K - \$1.0 million will be expended, depending on license plate production. The License Plate Revolving Fund will be used to pay for this commitment.

The Department of Social Services had contractual commitments of \$72,626,418.

Bureau of Human Resources had contractual commitments of \$15,054,259 for claims administration, medical management, and wellness services.

Bureau of Administration had construction commitments of \$3,665,447 for maintenance and repair projects.

The Department of Health had commitments of \$10,760,975 for projects related to the development and maintenance of several computer systems, information technology consulting services, clerical support, covered breast and cervical cancer screening services, and other various activities aimed at tobacco prevention and control.

The Department of Public Safety had commitments of \$41,281,726 for projects related to creating and maintaining the State's next generation 9-1-1 system, customizing and implementing several computer systems, for Driver's License issuance services and non-ID cards, teaching motorcycle courses, and reviewing and delivering announcements to stations participating in the Public Education Partnership program.

The Department of Education had contractual commitments of \$14,179,876 and grant obligations of \$48,379,450.

The Department of Human Services Division of Developmental Disabilities had a contractual commitment to the University of South Dakota (USD) Center for Disabilities that is encumbered on a Service PO. The Division of Developmental Disabilities and USD will work to establish a behavioral crisis prevention/intervention project to be carried out over the course of two years. The total amount committed is \$599,594. Funding for this commitment will come from both general and federal funds.

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 \$23,231,300 at June 30, 2017. The Workers' Compensation Fund liability at June 30, 2017, and the changes to the liability during fiscal years ended June 30, 2017 and 2016 listed on the following page were as follows (Expressed in Thousands):

	<u>FY2017</u>	<u>FY2016</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 25,941	\$ 25,951
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	5,728	5,177
Changes in provision for insured events of prior fiscal years	<u>(263)</u>	<u>(1,350)</u>
Total incurred claims and claim adjustment expenses	<u>5,465</u>	<u>3,827</u>
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	1,393	1,117
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>2,910</u>	<u>2,720</u>
Total payments	<u>4,303</u>	<u>3,837</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 27,103</u>	<u>\$ 25,941</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, 2017 and the changes to the liability during fiscal years ended June 30, 2017 and 2016 were as follows (Expressed in Thousands):

	Health Insurance	
	FY2017	FY2016
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 12,375	\$ 14,305
Incurred claims and claim adjustment expenses	116,250	105,673
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	102,599	93,298
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	12,375	14,305
Total payments	114,974	107,603
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 13,651	\$ 12,375

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 fiscal year 1996, 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. In fiscal year 2016 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 2017, \$5,666,323 of the net assets balance in the PEPL Fund was designated for future catastrophic losses.

The PEPL Fund liability at June 30, 2017 and the changes to the liability during fiscal years ended June 30, 2017 and 2016 were as follows (Expressed in Thousands):

	FY2017	FY2016
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ 4,525	\$ 3,848
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	627	973
Changes in provision for insured events of prior fiscal years	401	796
Total incurred claims and claim adjustment expenses	1,028	1,769
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	254	213
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	1,253	879
Total payments	1,507	1,092
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ 4,046	\$ 4,525

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, 2017 (Expressed in Thousands):

Year Ending June 30	Primary Government	Component Units
2018	\$ 7,623	\$ 3,893
2019	7,224	3,420
2020	6,508	3,178
2021	5,982	2,933
2022	5,276	2,518
2023-2027	11,660	8,075
2028-2032	3,189	5,302
2033-2037	579	5,843
2038-2042	17	6,515
2043-2047		5,747
Total Minimum Payments	\$ 48,058	\$ 47,424

The total rental expenses for all operating leases for the fiscal year ended June 30, 2017, was \$17,948,314 for the primary government and \$4,936,748 for component units.

14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2017, and changes to long-term liabilities during the fiscal year then ended are as follows (Expressed in Thousands):

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities *					
Revenue Bonds	\$ 149,043	\$ 45,710	\$ (16,738)	\$ 178,015	\$ 14,962
Add Unamortized Premium	8,804	6,355	(814)	14,345	1,075
Net Revenue Bonds	157,847	52,065	(17,552)	192,360	16,037
Trust Certificates	280		(280)		
Compensated Absences	60,020	40,324	(40,635)	59,709	31,839
Policy Claims Liability	4,525	1,028	(1,507)	4,046	1,526
Workers Compensation	25,946	5,465	(4,303)	27,108	3,545
Capital Leases	116,289	37,617	(8,225)	145,681	8,579
Pollution Remediation Obligation	14,432		(2,779)	11,653	750
Escheat Property	26,332	25,892	(27,356)	24,868	13,424
Other Long Term Liabilities		47		47	
Net Pension Liability		73,535		73,535	
Total Governmental Activities	\$ 405,671	\$ 235,973	\$ (102,637)	\$ 539,007	\$ 75,700
Business-type Activities					
Revenue Bonds	\$ 228,645	\$	\$ (15,800)	\$ 212,845	\$ 16,200
Add Unamortized Premium	19,207		(1,140)	18,067	1,140
Net Revenue Bonds	247,852		(16,940)	230,912	17,340
Other Noncurrent Liabilities	1,167	383		1,550	1,550
Compensated Absences	1,686	831	(825)	1,692	902
Net Pension Liability		1,684		1,684	
Total Business-type Activities	\$ 250,705	\$ 2,898	\$ (17,765)	\$ 235,838	\$ 19,792
Component Units					
Revenue Bonds	\$ 1,519,746	\$ 418,010	\$ (346,081)	\$ 1,591,675	\$ 62,836
Less Unamortized Discount	(236)	(141)	14	(363)	(17)
Add Unamortized Premium	40,868	11,708	(4,775)	47,801	1,901
Net Revenue Bonds	1,560,378	429,577	(350,842)	1,639,113	64,720
Compensated Absences	41,195	16,603	(16,891)	40,907	13,125
Capital Leases	3,842	3,307	(1,575)	5,574	1,956
Rural Development Loans	1,986		(440)	1,546	163
Federal Portion of Perkins Loan Program	38,858	823	(220)	39,461	
Advances from Primary Government	23,131		(938)	22,193	1,051
Net Pension Liability		53,789		53,789	
Total Component Units	\$ 1,669,390	\$ 504,099	\$ (370,906)	\$ 1,802,583	\$ 81,015

*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.

Revenue Bonds and Trust Certificates

A. Governmental Activities

1. South Dakota Building Authority

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

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

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

Following are SDBA bonds and trust certificates outstanding at June 30, 2017 (Dollars Expressed in Thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
2010B	2035	3.550% - 6.200%	\$ 4,405
2010C	2031	4.050% - 5.850%	3,040
2010D	2019	2.750% - 3.250%	260
2013D	2038	1.747% - 5.769%	4,080
2014A	2029	4.000% - 5.000%	1,605
2014D	2026	4.500% - 5.000%	6,179
2014E	2027	4.000% - 5.000%	3,396
2015A	2030	1.000% - 4.013%	10,185
2017A	2040	3.000% - 5.000%	45,710
Add Unamortized Premium			8,045
Total			\$ 86,905

As of June 30, 2017, 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>
2018	\$ 3,462	\$ 3,532	\$ 6,994
2019	3,507	3,451	6,958
2020	3,625	3,330	6,955
2021	3,669	3,207	6,876
2022	3,809	3,059	6,868
2023-2027	21,623	12,638	34,261
2028-2032	16,695	7,808	24,503
2033-2037	14,715	4,206	18,921
2038-2042	7,755	696	8,451
Total	\$ 78,860	\$ 41,927	\$ 120,787

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, 2017 (Dollars Expressed in Thousands):

Bond Series	Maturity Through	Interest Rates	Amount
2013A	2022	2.156% - 3.539%	\$ 52,520
2013B	2027	5.00%	46,635
Add Unamortized Premium			6,300
Total			\$ 105,455

As of June 30, 2017, debt service requirements for principal and interest for the Educational Enhancement Funding Corporation were as follows (Expressed in Thousands):

Year Ended June 30	Principal	Interest	Total
2018	\$ 11,500	\$ 4,031	\$ 15,531
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
2023-2027	46,635	6,700	53,335
Total	\$ 99,155	\$ 23,593	\$ 122,748

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, 2017 (Dollars Expressed in Thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Clean Water State Revolving Fund			
1996A	2017	5.625%	\$ 100
2010AB	2030-2031	4.084%-5.646%	42,060
2012AB	2027-2033	.25%-5.00%	69,520
2014AB	2020-2035	.30%-5.00%	44,655
Add Unamortized Premium			15,644
Total			171,979
Drinking Water State Revolving Fund			
2010AB	2030-2031	2.00%-5.646%	25,925
2012AB	2023-2027	.25%-5.00%	21,830
2014AB	2020-2035	.30%-5.00%	8,755
Add Unamortized Premium			2,423
Total			58,933
Total Revenue Bonds			\$ 230,912

As of June 30, 2017, 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>
Clean Water State Revolving Fund			
2018	\$ 10,125	\$ 6,642	\$ 16,767
2019	10,255	6,310	16,565
2020	9,585	5,972	15,557
2021	8,730	5,647	14,377
2022	10,165	5,285	15,450
2023-2027	53,815	19,538	73,353
2028-2032	40,240	8,078	48,318
2033-2035	13,420	848	14,268
Total	156,335	58,320	214,655
Drinking Water State Revolving Fund			
2018	6,075	2,023	8,098
2019	6,255	1,854	8,109
2020	5,850	1,685	7,535
2021	4,215	1,537	5,752
2022	4,345	1,398	5,743
2023-2027	18,955	4,643	23,598
2028-2032	9,520	1,287	10,807
2033-2035	1,295	99	1,394
Total	56,510	14,526	71,036
Total	\$ 212,845	\$ 72,846	\$ 285,691

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, 2017 (Dollars Expressed in Thousands):

	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Home-Ownership Mortgage Program	2017-2046	.07%-5.85%	
Serial Bonds			\$ 322,005
Term Bonds			585,954
Add Unamortized Premium			16,599
Total			<u>924,558</u>
Single Family Mortgage Revenue Bonds	2017-2041	1.05%-5.00%	
Serial Bonds			36,370
Term Bonds			103,925
Add Unamortized Premium			1,162
Total			<u>141,457</u>
Multiple Purpose Bonds	2017-2048	1.03%-3.65%	
Serial Bonds			4,435
Term Bonds			14,660
Total			<u>19,095</u>
Multifamily Housing Revenue Bonds			
Term Bonds	2017-2044	.93%-1.02%	<u>21,800</u>
Multifamily Risk Sharing Bonds			
Term Bonds	2017-2032	5.35%-5.85%	<u>2,450</u>
Total Bonds			<u>\$ 1,109,360</u>

As of June 30, 2017, debt service requirements for principal and interest for the SDHDA were as follows (Expressed in Thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 39,858	\$ 30,198	\$ 70,056
2019	46,085	30,041	76,126
2020	44,490	29,069	73,559
2021	42,605	28,071	70,676
2022	40,640	26,888	67,528
2023-2027	188,050	118,891	306,941
2028-2032	203,805	89,060	292,865
2033-2037	189,355	60,517	249,872
2038-2042	132,435	36,385	168,820
2043-2047	160,281	10,295	170,576
2048-2051	3,995	77	4,072
Total	<u>\$ 1,091,599</u>	<u>\$ 459,492</u>	<u>\$ 1,551,091</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, 2017, the balance in the Capital Reserve Account was \$5,000,000 and the reserve requirement was \$1,092,500.

The following is a schedule of outstanding bonds as of June 30, 2017 (Dollars Expressed in Thousands):

Bond Series	Maturity Through	Interest Rates	Amount
2013A	2021-2033	2.25%-5.80%	\$ 8,740
Total			\$ 8,740

As of June 30, 2017, debt service requirements for principal and interest for the EDFA were as follows (Expressed in Thousands):

Year Ended	Principal	Interest	Total
June 30			
2018	\$ 385	\$ 454	\$ 839
2019	395	445	840
2020	405	433	838
2021	420	420	840
2022	435	404	839
2023-2027	2,540	1,659	4,199
2028-2032	3,365	838	4,203
2033-2037	795	46	841
Total	\$ 8,740	\$ 4,699	\$ 13,439

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 2017 equaled \$33,031,079. Following are revenue bonds outstanding at June 30, 2017 (Dollars Expressed in Thousands):

<u>Bond Series</u>	<u>Maturity Through</u>	<u>Interest Rates</u>	<u>Amount</u>
School of Mines and Technology			
2008B	2028	4.550%	\$ 2,805
2009	2034	4.875%-6.250%	8,345
2014A	2039	4.000%-5.000%	6,340
2014B	2033	4.000%-5.000%	5,655
Less Unamortized Discount			(18)
Add Unamortized Premium			975
University of South Dakota			
2009	2039	4.875%-6.250%	37,120
2013A	2028	2.000%-5.000%	9,435
2015	2030	3.000%-5.000%	8,835
Less Unamortized Discount			(152)
Add Unamortized Premium			2,030
South Dakota State University			
2006	2026	3.920%	4,370
2009	2034	4.875%-6.250%	26,210
2011	2036	3.625%-5.000%	51,375
2014A	2025	4.000%-5.000%	17,890
2015	2030	3.000%-5.000%	1,770
2016	2041	2.000%-5.000%	12,840
Less Unamortized Discount			(143)
Add Unamortized Premium			5,137
Northern State University			
2008	2028	4.550%	745
2009	2034	4.875%-6.250%	1,095
2011	2036	3.625%-5.000%	5,025
2014B	2029	4.000%-5.000%	3,135
2016	2041	2.000%-5.000%	6,785
Less Unamortized Discount			(50)
Add Unamortized Premium			1,095
Dakota State University			
2007	2029	3.880%	270
2008	2028	3.880%	3,060
2014B	2025	4.000%-5.000%	1,285
2015	2040	3.000%-5.000%	10,815
Add Unamortized Premium			1,715
Black Hills State University			
2006	2026	3.920%	715
2007	2029	3.880%	5,620
2014A	2039	4.000%-5.000%	8,980
2014B	2026	4.000%-5.000%	1,430
Add Unamortized Premium			618
Total			<u>\$253,157</u>

As of June 30, 2017, debt service requirements for principal and interest were as follows (Expressed in Thousands):

Year Ended June 30	Principal	Interest	Total
2018	\$ 11,350	\$ 11,992	\$ 23,342
2019	11,785	11,503	23,288
2020	12,270	10,971	23,241
2021	12,775	10,382	23,157
2022	13,380	9,770	23,150
2023-2027	68,010	38,538	106,548
2028-2032	56,665	22,670	79,335
2033-2037	43,380	8,663	52,043
2038-2042	12,335	1,174	13,509
Total	\$ 241,950	\$ 125,663	\$ 367,613

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, 2017 (Dollars Expressed in Thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
2008	2033	4.250%-5.000%	\$ 31,040
2009	2034	5.720%-6.760%	10,430
2010A	2027	3.950%-5.650%	7,120
2010B	2035	3.950%-6.200%	8,970
2010D	2019	3.000%-3.250%	85
2011	2026	3.000%-5.000%	8,605
2011A	2026	3.000%-5.000%	6,030
2012A	2028	1.500%-5.000%	6,850
2013B	2038	4.000%-5.000%	67,340
2013C	2018	2.197%	2,245
2014A	2039	4.000%-5.000%	33,075
2014B	2029	5.000%	5,250
2014C	2020	1.250%-2.400%	4,315
2014D	2026	4.500%-5.000%	1,236
2014E	2032	4.000%-5.000%	27,339
2014F	2032	2.050%-4.700%	7,540
2015B	2040	4.000%-5.000%	10,415
2017A	2042	3.000%-5.000%	11,500
Add Unamortized Premium			18,480
Total Revenue Bonds			\$ 267,865

As of June 30, 2017, debt service requirements for principal and interest for the South Dakota Building Authority (Higher Education portion) were as follows (Expressed in Thousands):

Year Ended June 30	Principal	Interest	Total
2018	\$ 11,243	\$ 12,010	\$ 23,253
2019	11,443	11,633	23,076
2020	11,905	11,142	23,047
2021	11,841	10,625	22,466
2022	12,386	10,071	22,457
2023-2027	67,772	40,962	108,734
2028-2032	67,570	24,444	92,014
2033-2037	41,210	9,227	50,437
2038-2042	14,015	1,291	15,306
Total	\$ 249,385	\$ 131,405	\$ 380,790

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, 2017 (Expressed in Thousands):

Fiscal Year Ending June 30	Governmental Activities	Component Units
2018	\$ 15,248	\$ 2,219
2019	14,359	1,807
2020	12,874	822
2021	12,145	701
2022	11,198	118
2023-2027	47,469	561
2028-2032	45,992	277
2033-2037	42,175	
2038-2042	24,810	
2043-2047	18,438	
Total Minimum Lease Payments	244,708	6,505
Less: Amount Representing Interest	99,027	931
Present Value of Net Minimum Lease Payments	\$ 145,681	\$ 5,574

The historical cost and depreciation of assets acquired under capital leases and included in capital assets on the Government-wide Financial Statements at June 30, 2017, are as follows (Expressed in Thousands):

	Governmental Activities
Buildings	\$ 147,491
Equipment	5,302
Vehicles	27,053
Total	179,846
Less: Accumulated Depreciation	35,102
Total, Net	\$ 144,744

Conduit Debt Obligations

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

1. South Dakota Value Added Finance Authority

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

As of June 30, 2017, there were 120 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2017, could not be determined; however, the original issue amount totaled \$23,170,296.

As of June 30, 2017, there were 5 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2017, could not be determined; however, the original issue amount totaled \$8,592,500.

As of June 30, 2017, there were 17 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2017, 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, 2017, 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, 2017, the aggregate amount of stand-alone bond principal outstanding was \$2,520,000. The original issue amount of stand-alone bonds totaled \$12,840,000.

Refunded and Defeased Bonds

1. South Dakota Housing Development Authority

In November 2016, the Authority issued \$53,660,000 of fixed rate Single Family Mortgage Bonds, 2016 Series 1. The 2016 Series 1 Bonds, totaling \$53,660,000 were used to refund \$54,400,000 of Single Family Mortgage Bonds, 2009 Series 1-A and 2009 Series 1-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 the total debt service payments by approximately \$11.5 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 2016 Series 1 Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$3.4 million.

In November 2016, the Authority issued \$38,115,000 of fixed rate Homeownership Mortgage Bonds, 2016 Series C. The 2016 Series C Bonds, totaling \$38,115,000 were used to refund \$38,115,000 of Homeownership Mortgage Bonds, 2009 Series A (the Refunded Bonds). The purpose of the refunding was to transfer excess yield from the Refunded Bonds to the 2016 Series C Bonds and to replace variable rate debt with fixed rate debt, which would have decreased total debt service payments by approximately \$0.9 million assuming the variable rate on the refunded bonds would have remained at 0.54%, the same rate as the rate on the refunding date. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2016 Series C Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic loss of approximately \$3.8 million.

In June 2017, the Authority issued \$24,870,000 of fixed rate Homeownership Mortgage Bonds, 2017 Series A. The 2017 Series A Bonds, totaling \$24,870,000 were used to refund \$24,870,000 of Homeownership Mortgage Bonds, 2007 Series I (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 \$13.3 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 2017 Series A Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$2.6 million.

In June 2017, the Authority issued \$30,240,000 of fixed rate Homeownership Mortgage Bonds, 2017 Series C. The 2017 Series C Bonds, totaling \$30,240,000 along with premium generate from the bond sale, were used to refund \$31,090,000 of Homeownership Mortgage Bonds, 2008 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 \$12.4 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 2017 Series C Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$4.0 million.

2. South Dakota Building Authority

On June 6, 2017, the Authority issued \$1,405,000 in Revenue Bonds Series 2017A to refund a portion of the Series 2008 bonds. The refunding portion with an average interest rate of 4.65 percent was used to refund \$1,435,000 of outstanding Series 2008 bonds with an average interest rate of 4.52 percent. The net proceeds of the refunding portion of \$1,488,168 were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded Series 2008 bonds (after payment of \$17,723 in underwriting fees and other issuance costs and transfer of \$104,700 in savings to the State General Fund). As a result, the refunded Series 2008 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 \$28,594. This difference is being charged to operations through fiscal year 2028 using the effective-interest method. The Authority completed the advanced refunding for a net economic gain of \$25,053. The difference between the cash flows of the refunded bonds and the refunding bonds is a \$31,533 reduction in debt service payments, the actual cash amount realized was \$104,700.

Pollution Remediation Obligations

The State has pollution remediation obligation liabilities as of June 30, 2017, of \$11,653,016.

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 \$171.8 million. This is a decrease from the estimate last year due to a decrease in the expected yearly Operation and Maintenance costs. 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 \$152.2 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 \$15.2 million. The State has already spent approximately \$6.4 million with an estimated remaining outstanding liability as of June 30, 2017 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 \$8.2 million from the cash reclamation bond deposited by Brohm and \$9.8 million in cash settlements as of June 30, 2017. 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. The estimated total cleanup cost balance was decreased by \$2,663,710 due to a decrease in the EPA's estimated yearly Operation and Maintenance costs.

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, 2017, PRCF was currently involved with 33 active cases, 25 active/monitoring cases, and 1 pending cases (spill report not yet filed), for a total of 59 cases. The estimated cost remaining for sites that have received at least one payment is \$366,700, the estimated cost for sites that haven't received any payments is \$1,900,000, and the estimated cost for the Abandoned Tank Removal Program is \$600,000. The total liability as of June 30, 2017, for this program is \$2,866,700. The cash balance in the PRCF on June 30, 2017, is \$2,640,412.

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, 2017, as recommended by NACUBO (Expressed in Thousands):

Function	Personal		Contractual	Supplies & Non-	Grants &	Interest &	Depreciation	Total
	Services	Travel		Capitalized	Subsidies	Other		
Instruction	\$ 192,927	\$ 4,238	\$ 15,316	\$ 8,941	\$ 1,024	\$	\$ 5,650	\$ 228,096
Research	47,470	2,702	6,706	9,677	8,606	54	4,745	79,960
Public Service	29,037	1,562	7,772	4,946	1,563	27	261	45,168
Academic Support	44,798	1,154	9,212	8,124	27	388	2,067	65,770
Student Services	42,508	7,550	9,079	6,524	364	1	1,014	67,040
Institutional Support	49,178	1,060	20,620	3,568	356	1,643	2,330	78,755
O&M of Plant	25,241	250	13,717	11,541			33,787	84,536
Scholarships and Fellowships	1,212	18	17	212	22,990	118		24,567
Auxilliary Enterprises	12,154	115	37,341	11,440	28	28	1,838	62,944
Other						280	839	1,119
Total	\$ 444,525	\$ 18,649	\$ 119,780	\$ 64,973	\$ 34,958	\$ 2,539	\$ 52,531	\$ 737,955

16. VOCATIONAL TECHNICAL INSTITUTES

The State primary government has an ongoing financial responsibility for the funding of four technical institutes in the State. The technical institutes are considered part of the local school districts in the district where they are located. By law, the State may adopt rules governing the operation of the technical institutes including curriculum, tuition payments and other charges, and plans for construction or renovation of facilities. During fiscal year 2017, the State provided \$22,836,000 in General Fund state aid payments to the technical institutes.

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

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

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 criteria 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 2017, the State abated \$1,540,800 of sales and use tax as estimated reimbursement amounts for approved projects that have not met all the reimbursement criteria. The State reimbursed \$3,965,672 of sales and use tax during fiscal year 2017, all of which was abated in prior fiscal years.

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 2017 were \$1,535,000. Funding for these loans came from the SBA. In addition, the SDDC has approved loans totaling \$550,371 for the Microloan Program as of June 30, 2017.

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, 2017, \$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.

The South Dakota Corn Utilization Council (SDCUC) is a functional subunit of the Department of Agriculture, which was created under 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 a new precision agriculture facility. As of June 30, 2017, the total amount committed to the construction of the new facility is \$6,000,000, of which \$4,500,000 has been paid to the SDSU Foundation.

The South Dakota Ellsworth Development Authority (SDEDA) was created by Chapter 1-16J of the South Dakota Codified Laws 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, 2017, the SDEDA has loans payable to the State Department of Environment and Natural Resources for \$1,394,490 and to the Clean Water State Revolving Fund for \$20,883,798. 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, 2017, 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. Of the \$3,000,000, \$1,070,000 was paid to the SDEDA during the year ended June 30, 2015. The remaining \$1,930,000 was paid during the year ended June 30, 2017. 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, 2017, \$771,925 of the GOED funds were recognized as revenue. The remaining \$1,158,075 will be used for future matching of the Department of Defense Funds used in the program.

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 by Chapter 1-16H of the South Dakota Codified Laws. 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 and extends into fiscal year 2018.

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 October 25, 2016, the U.S. District Court approved an agreement between the government, California regulators, and Volkswagen in a written ruling. This settlement partially resolves allegations that Volkswagen violated the federal Clean Air Act by the sale of nearly 500,000 model year 2009 to 2016 motor vehicles containing 2.0 liter diesel engines equipped with "defeat devices" which cheated federal emission tests. On May 17, 2017, a second partial consent decree was approved for approximately 80,000 3.0 liter diesel vehicles manufactured by Volkswagen that also had the emission control defeat devices. As a result of the settlement, a Trust was established by Volkswagen and each state in which these vehicles were sold is eligible for an allocation of the settlement for mitigating these excess nitrogen oxide (NOx) emissions. For South Dakota, the amount of \$8,125,000 is to be used for remediating the excess NOx emissions in the state from the affected vehicles. On October 2, 2017, the court approved a Trustee responsible for administering the Trust. On November 21, 2017, the Department of Environment and Natural Resources (DENR) submitted the Certification for Beneficiary Status to the Trustee signed by Governor Dugaard identifying DENR as the Lead Agency for South Dakota. DENR is drafting a Beneficiary Mitigation Plan that explains how the settlement will be used in South Dakota and established a website (<http://denr.sd.gov/des/aq/aaVW.aspx>) to keep the public informed and also gather input on how the money should be spent. Upon being deemed a Beneficiary, DENR has the right to request Eligible Mitigation Action funds up to one-third of the State's allocation during the first year and up to two-thirds by the end of the second year. The Trust will be in place for ten years or until October 2, 2027.

In August of 2017, the South Dakota Conservancy District issued its State Revolving Fund Program Bonds, Series 2017 consisting of \$16,730,000 principal amount of Taxable Revenue Bonds, Series 2017A and \$77,870,000 principal amount Revenue Bonds, Series 2017B.

Higher Education

In December of 2017, the South Dakota Board of Regents issued \$88,260,000 of Housing and Auxiliary Facilities System Revenue Bonds, Series 2017. The bonds were issued to (i) pay the costs of purchasing student housing at South Dakota School of Mines and Technology, (ii) pay the cost of building student housing at South Dakota State University, (iii) provide funds for the advanced refunding of the South Dakota Board of Regents Housing and Auxiliary Facilities Revenue Bonds, Series 2009, and (iv) pay certain expenses incident to the issuance of the Series 2017 Bonds.

South Dakota Housing Development Authority

On December 7, 2017, the Authority issued \$125,000,000 of Homeownership Mortgage Bonds 2017 Series D with maturities' from May 1, 2018 to November 1, 2047. On December 28, 2017, the Authority issued \$45,240,000 of Homeownership Mortgage Bonds 2017 Series E with maturities' from May 1, 2018 to May 1, 2039 and \$21,940,000 of Homeownership Mortgage Bonds 2017 Series F with a maturity from May 1, 2027 to November 1, 2047.

South Dakota Retirement System

During the 2017 Legislative Session, the Legislature approved the Cost of Living Adjustment, effective July 1, 2018 and the actuarial assumptions used to determine the actuarial valuations as of June 30, 2017. Please refer to South Dakota Retirement System Financial Statements which are available at <http://www.sdrs.sd.gov/>.

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, 2017 are as follows:

In Re: 2004 NPM Adjustment Proceedings

In 1998, the largest tobacco manufacturers and the states entered into the Master Settlement Agreement (MSA). Under the terms of the MSA, South Dakota receives approximately \$23 million per year in exchange for diligently enforcing its tobacco enforcement statutes, including against tobacco companies that are not part of the MSA. In 2002 and again in 2013 South Dakota securitized its annual payments from the MSA. The tobacco companies are alleging that all of the states failed to diligently enforce their tobacco statutes in 2004. The MSA requires a neutral arbitration panel to determine if a state diligently enforced its statutes. The process to arbitrate that issue has been started. The arbitration hearing is set for September 2018. If it is found that South Dakota did not diligently enforce the statutes in 2004, the State would need to repay the \$23 million it received for 2004. The State intends to assert that all statutes were diligently enforced. If the decision is unfavorable, it could have a material impact on the State's Tobacco Securitization Debt Service Fund.

Long, et al v. State of South Dakota

The owners of five properties upstream from the South Dakota Department of Transportation's Highway 11 project in Lincoln County sued the Department in 2010, alleging the Department's handling of drainage in connection with the project resulted in a compensable damaging of their properties under the State constitution. The circuit court in Minnehaha County, the Honorable Judge Reipel presiding, concluded on June 24, 2014, that there had been a compensable damaging of the properties and a jury subsequently awarded the landowners a total of \$1,297,505.90, plus post-judgment interest. The Department appealed to the South Dakota Supreme Court. The Supreme Court affirmed the award of compensation to the landowners, but denied the separate award of attorney fees. The time to file motion for rehearing has not yet expired. If the decision is unfavorable, compensation would be paid out of the State Highway Fund.

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. The matter has been fully briefed and a date has not yet been set for oral argument. 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 \$1,750,000. 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 in a range of \$79,620,991 to \$89,620,991, in addition to punitive damages. Judge Barnett of the Sixth Judicial Circuit Court has vacated the scheduling order in this case until discovery is completed.

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 which now pend before the United States District Court. 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. The parties are currently preparing post hearing briefs for the Office of Hearing Examiners.

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. U.S. Bank has appealed this assessment as well. Since the issue in the second matter is the same as the first matter, it is being held in abeyance pending the outcome of the first matter. The DOR is vigorously defending both 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.

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

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
RESOURCES (inflows) AVAILABLE FOR APPROPRIATION				
ONGOING RESOURCES				
Sales and Use Tax	\$ 1,006,724	\$ 951,000	\$ 951,223	\$ 223
Lottery	111,997	112,074	111,827	(247)
Contractor's Excise Tax	107,427	109,162	106,829	(2,333)
Insurance Company Tax	85,397	90,677	83,272	(7,405)
Unclaimed Property Receipts	54,000	48,834	44,386	(4,448)
Licenses, Permits, and Fees	65,980	62,649	64,730	2,081
Tobacco Taxes	56,509	55,269	56,809	1,540
Trust Funds	35,159	35,195	35,195	0
Net Transfers In	18,933	21,602	21,897	295
Alcohol Beverage Tax	7,740	8,000	7,618	(382)
Bank Franchise Tax	11,473	10,655	14,689	4,034
Charges for Goods and Services	15,712	15,324	15,563	239
Telecommunications Tax	6,102	5,459	5,330	(129)
Severance Taxes	4,035	8,446	8,968	522
Sale-Leaseback	4,139	4,139	4,139	0
Investment Income and Interest	4,820	6,229	6,366	137
Alcohol Beverage 2% Wholesale Tax	1,994	2,100	1,954	(146)
TOTAL ONGOING	1,598,141	1,546,814	1,540,795	(6,019)
ONE-TIME RESOURCES				
One-Time Unclaimed Property Receipts	0	13,028	12,715	(313)
Transfer from Private Activities Bond Fee Fund	0	912	912	0
Transfer from Telecommunication Fund	0	800	800	0
Transfer from Video Lottery Fund	0	500	500	0
Transfer from Court Automation Fund	0	500	500	0
Transfer from General Militia Fund	0	180	180	0
Transfer from SD Certified Beef Fund	0	104	104	0
Prior Period Adjustments	0	0	(1,712)	(1,712)
Unexpended Carryovers	0	1,029	862	(167)
Prior Year Carryover and Encumbered	8,130	8,130	8,130	0
Other	0	0	0	0
TOTAL ONE-TIME RESOURCES	8,130	25,183	22,991	(2,192)
TOTAL RESOURCES AVAILABLE FOR APPROPRIATION	\$ 1,606,271	\$ 1,571,997	\$ 1,563,786	\$ (8,211)
CHARGES TO APPROPRIATIONS (outflows)				
OFFICE OF THE GOVERNOR				
Personal Services	\$ 1,917	\$ 1,917	\$ 1,843	\$ 74
Operating Expenses	445	445	443	2
TOTAL	2,362	2,362	2,286	76
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	75	75	48	27
TOTAL	75	75	48	27
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,769	1,769	1,559	210
Operating Expenses	933	933	918	15
TOTAL	2,702	2,702	2,477	225
OFFICE OF RESEARCH COMMERCE				
Personal Services	187	187	187	0
Operating Expenses	3,940	3,940	3,939	1
TOTAL	4,127	4,127	4,126	1

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
LIEUTENANT GOVERNOR				
Personal Services	\$ 22	\$ 22	\$ 22	\$ 0
Operating Expenses	13	13	12	1
TOTAL	35	35	34	1
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	712	712	694	18
Operating Expenses	225	225	213	12
TOTAL	937	937	907	30
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	4,000	4,000	4,000	0
TOTAL	4,000	4,000	4,000	0
EMPLOYEE COMPENSATION				
Personal Services	144	0	0	0
Operating Expenses	0	0	0	0
TOTAL	144	0	0	0
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	81	81	7	74
TOTAL	81	81	7	74
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	289	289	289	0
TOTAL	289	289	289	0
CENTRAL SERVICES				
Personal Services	193	193	185	8
Operating Expenses	210	210	210	0
TOTAL	403	403	395	8
STATEWIDE MAINTENANCE AND REPAIR				
Personal Services	0	0	0	0
Operating Expenses	26,816	23,466	10,082	13,384
TOTAL	26,816	23,466	10,082	13,384
OFFICE OF HEARING EXAMINERS				
Personal Services	271	271	262	9
Operating Expenses	74	74	51	23
TOTAL	345	345	313	32
RISK MANAGEMENT ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	0	1,004	1,004	0
TOTAL	0	1,004	1,004	0
OBLIGATION RECOVERY CENTER				
Personal Services	0	0	0	0
Operating Expenses	450	450	244	206
TOTAL	450	450	244	206
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,899	2,899	2,898	1
Operating Expenses	1,259	1,259	1,251	8
TOTAL	4,158	4,158	4,149	9

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE RADIO ENGINEERING				
Personal Services	\$ 764	\$ 764	\$ 706	\$ 58
Operating Expenses	2,294	2,294	2,292	2
TOTAL	3,058	3,058	2,998	60
PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS				
Personal Services	218	218	218	0
Operating Expenses	68	68	68	0
TOTAL	286	286	286	0
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	9,096	8,952	8,574	378
Operating Expenses	41,172	38,826	25,071	13,755
TOTAL	50,268	47,778	33,645	14,133
PROPERTY AND SPECIAL TAXES				
Personal Services	1,037	1,049	1,001	48
Operating Expenses	1,011	1,449	773	676
TOTAL	2,048	2,498	1,774	724
DEPARTMENT TOTAL, REVENUE				
Personal Services	1,037	1,049	1,001	48
Operating Expenses	1,011	1,449	773	676
TOTAL	2,048	2,498	1,774	724
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	706	753	753	0
Operating Expenses	187	187	187	0
TOTAL	893	940	940	0
AGRICULTURAL SERVICES AND ASSISTANCE				
Personal Services	1,516	1,469	1,469	0
Operating Expenses	610	3,910	3,905	5
TOTAL	2,126	5,379	5,374	5
AGRICULTURAL DEVELOPMENT AND PROMOTION				
Personal Services	1,311	1,311	1,311	0
Operating Expenses	473	473	465	8
TOTAL	1,784	1,784	1,776	8
ANIMAL INDUSTRY BOARD				
Personal Services	1,779	1,779	1,713	66
Operating Expenses	343	343	292	51
TOTAL	2,122	2,122	2,005	117
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	323	323	320	3
TOTAL	323	323	320	3
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	5,312	5,312	5,246	66
Operating Expenses	1,936	5,236	5,169	67
TOTAL	7,248	10,548	10,415	133
ADMINISTRATION, SECRETARY OF GAME, FISH, AND PARKS				
Personal Services	138	138	138	0
Operating Expenses	822	822	822	0
TOTAL	960	960	960	0

**STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE PARKS AND RECREATION				
Personal Services	\$ 2,731	\$ 2,731	\$ 2,731	\$ 0
Operating Expenses	2,605	2,605	2,605	0
TOTAL	5,336	5,336	5,336	0
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services	0	0	0	0
Operating Expenses	1,460	1,460	1,460	0
TOTAL	1,460	1,460	1,460	0
DEPARTMENT TOTAL, GAME, FISH, & PARKS				
Personal Services	2,869	2,869	2,869	0
Operating Expenses	4,887	4,887	4,887	0
TOTAL	7,756	7,756	7,756	0
OFFICE OF TRIBAL RELATIONS				
Personal Services	426	426	400	26
Operating Expenses	102	102	75	27
TOTAL	528	528	475	53
DEPARTMENT TOTAL, TRIBAL RELATIONS				
Personal Services	426	426	400	26
Operating Expenses	102	102	75	27
TOTAL	528	528	475	53
ADMINISTRATION, SECRETARY OF SOCIAL SERVICES				
Personal Services	4,528	4,528	4,528	0
Operating Expenses	4,686	4,686	4,686	0
TOTAL	9,214	9,214	9,214	0
ECONOMIC ASSISTANCE				
Personal Services	8,221	8,221	8,221	0
Operating Expenses	18,141	17,384	15,872	1,512
TOTAL	26,362	25,605	24,093	1,512
MEDICAL AND ADULT SERVICES				
Personal Services	3,251	3,251	3,251	0
Operating Expenses	313,099	307,956	301,023	6,933
TOTAL	316,350	311,207	304,274	6,933
CHILDREN'S SERVICES				
Personal Services	12,309	12,309	12,309	0
Operating Expenses	33,591	32,097	31,117	980
TOTAL	45,900	44,406	43,426	980
BEHAVIORAL HEALTH				
Personal Services	31,710	30,989	30,989	0
Operating Expenses	48,764	46,399	45,039	1,360
TOTAL	80,474	77,388	76,028	1,360
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	60,019	59,298	59,298	0
Operating Expenses	418,281	408,522	397,737	10,785
TOTAL	478,300	467,820	457,035	10,785
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	746	746	746	0
Operating Expenses	214	214	214	0
TOTAL	960	960	960	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	\$ 2,136	\$ 2,136	\$ 2,136	\$ 0
Operating Expenses	2,504	3,256	2,126	1,130
TOTAL	4,640	5,392	4,262	1,130
FAMILY AND COMMUNITY HEALTH				
Personal Services	2,260	2,260	2,260	0
Operating Expenses	2,385	2,373	2,363	10
TOTAL	4,645	4,633	4,623	10
CORRECTIONAL HEALTH				
Personal Services	0	0	0	0
Operating Expenses	0	235	235	0
TOTAL	0	235	235	0
DEPARTMENT TOTAL, HEALTH				
Personal Services	5,142	5,142	5,142	0
Operating Expenses	5,103	6,078	4,938	1,140
TOTAL	10,245	11,220	10,080	1,140
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	40	40	40	0
Operating Expenses	618	618	618	0
TOTAL	658	658	658	0
UNEMPLOYMENT INSURANCE SERVICES				
Personal Services	0	0	0	0
Operating Expenses	135	135	135	0
TOTAL	135	135	135	0
FIELD OPERATIONS				
Personal Services	541	541	541	0
Operating Expenses	115	115	115	0
TOTAL	656	656	656	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	628	628	628	0
Operating Expenses	97	97	97	0
TOTAL	725	725	725	0
DEPARTMENT TOTAL, LABOR AND REGULATION				
Personal Services	1,209	1,209	1,209	0
Operating Expenses	965	965	965	0
TOTAL	2,174	2,174	2,174	0
GENERAL OPERATIONS				
Personal Services	522	522	522	0
Operating Expenses	26	26	25	1
TOTAL	548	548	547	1
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	522	522	522	0
Operating Expenses	26	26	25	1
TOTAL	548	548	547	1
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,490	1,689	1,687	2
Operating Expenses	1,079	880	855	25
TOTAL	2,569	2,569	2,542	27

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE AID TO GENERAL EDUCATION				
Personal Services	\$ 0	\$ 0	\$ 0	\$ 0
Operating Expenses	448,404	424,806	424,694	112
TOTAL	448,404	424,806	424,694	112
STATE AID TO SPECIAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	64,587	67,612	67,612	0
TOTAL	64,587	67,612	67,612	0
SPARSITY PAYMENTS				
Personal Services	0	0	0	0
Operating Expenses	2,010	2,000	2,000	0
TOTAL	2,010	2,000	2,000	0
NATIONAL BOARD CERTIFIED TEACHERS				
Personal Services	0	0	0	0
Operating Expenses	150	150	150	0
TOTAL	150	150	150	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	14,005	14,005	13,785	220
TOTAL	14,005	14,005	13,785	220
POSTSECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	23,077	22,330	22,330	0
TOTAL	23,077	22,330	22,330	0
POSTSECONDARY VOCATIONAL EDUCATION TUITION ASSISTANCE				
Personal Services	0	0	0	0
Operating Expenses	1,832	1,832	1,832	0
TOTAL	1,832	1,832	1,832	0
POSTSECONDARY INSTRUCTOR SALARY ENHANCEMENTS				
Personal Services	0	0	0	0
Operating Expenses	3,000	3,000	2,776	224
TOTAL	3,000	3,000	2,776	224
EDUCATION RESOURCES				
Personal Services	2,022	2,053	2,052	1
Operating Expenses	8,658	8,585	8,302	283
TOTAL	10,680	10,638	10,354	284
HISTORY				
Personal Services	991	991	979	12
Operating Expenses	1,212	1,220	1,217	3
TOTAL	2,203	2,211	2,196	15
STATE LIBRARY				
Personal Services	1,056	1,056	1,000	56
Operating Expenses	919	910	854	56
TOTAL	1,975	1,966	1,854	112
DEPARTMENT TOTAL, EDUCATION				
Personal Services	5,559	5,789	5,718	71
Operating Expenses	568,933	547,330	546,407	923
TOTAL	574,492	553,119	552,125	994

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	\$ 132	\$ 132	\$ 132	\$ 0
Operating Expenses	17	17	17	0
TOTAL	149	149	149	0
ENFORCEMENT				
Personal Services	599	599	566	33
Operating Expenses	827	827	683	144
TOTAL	1,426	1,426	1,249	177
EMERGENCY SERVICES AND HOMELAND SECURITY				
Personal Services	999	999	994	5
Operating Expenses	3,586	3,586	3,552	34
TOTAL	4,585	4,585	4,546	39
INSPECTION AND LICENSING				
Personal Services	70	70	66	4
Operating Expenses	756	756	732	24
TOTAL	826	826	798	28
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	1,800	1,800	1,758	42
Operating Expenses	5,186	5,186	4,984	202
TOTAL	6,986	6,986	6,742	244
REGENTS CENTRAL OFFICE				
Personal Services	4,512	4,499	4,499	0
Operating Expenses	19,260	19,245	13,751	5,494
TOTAL	23,772	23,744	18,250	5,494
SOUTH DAKOTA SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	5,526	5,526	5,504	22
TOTAL	5,526	5,526	5,504	22
RESEARCH POOL				
Personal Services	0	0	0	0
Operating Expenses	1,725	1,725	1,725	0
TOTAL	1,725	1,725	1,725	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	33,270	32,728	32,728	0
Operating Expenses	4,884	4,319	3,552	767
TOTAL	38,154	37,047	36,280	767
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	19,225	19,403	19,403	0
Operating Expenses	3,462	3,509	3,509	0
TOTAL	22,687	22,912	22,912	0
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	41,925	41,308	41,308	0
Operating Expenses	6,508	5,023	4,986	37
TOTAL	48,433	46,331	46,294	37
SDSU EXTENSION				
Personal Services	8,324	8,290	8,290	0
Operating Expenses	329	329	329	0
TOTAL	8,653	8,619	8,619	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
AGRICULTURAL EXPERIMENT STATION				
Personal Services	\$ 11,567	\$ 11,518	\$ 11,518	\$ 0
Operating Expenses	627	627	627	0
TOTAL	12,194	12,145	12,145	0
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	15,896	15,925	15,925	0
Operating Expenses	1,057	832	832	0
TOTAL	16,953	16,757	16,757	0
NORTHERN STATE UNIVERSITY				
Personal Services	13,383	13,425	13,425	0
Operating Expenses	1,392	1,172	1,166	6
TOTAL	14,775	14,597	14,591	6
BLACK HILLS STATE UNIVERSITY				
Personal Services	8,936	8,989	8,989	0
Operating Expenses	849	719	719	0
TOTAL	9,785	9,708	9,708	0
DAKOTA STATE UNIVERSITY				
Personal Services	9,167	9,227	9,227	0
Operating Expenses	786	579	564	15
TOTAL	9,953	9,806	9,791	15
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	1,654	1,743	1,695	48
Operating Expenses	1,149	1,049	1,049	0
TOTAL	2,803	2,792	2,744	48
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,701	2,618	2,555	63
Operating Expenses	260	332	332	0
TOTAL	2,961	2,950	2,887	63
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	170,560	169,673	169,562	111
Operating Expenses	47,814	44,986	38,645	6,341
TOTAL	218,374	214,659	208,207	6,452
ADJUTANT GENERAL				
Personal Services	433	433	432	1
Operating Expenses	325	318	231	87
TOTAL	758	751	663	88
ARMY GUARD				
Personal Services	414	414	411	3
Operating Expenses	3,561	3,953	2,489	1,464
TOTAL	3,975	4,367	2,900	1,467
AIR GUARD				
Personal Services	202	206	205	1
Operating Expenses	238	228	223	5
TOTAL	440	434	428	6
DEPARTMENT TOTAL, MILITARY				
Personal Services	1,049	1,053	1,048	5
Operating Expenses	4,124	4,499	2,943	1,556
TOTAL	5,173	5,552	3,991	1,561

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
VETERANS' BENEFITS AND SERVICES				
Personal Services	\$ 1,146	\$ 1,146	\$ 1,123	\$ 23
Operating Expenses	995	1,024	629	395
TOTAL	2,141	2,170	1,752	418
STATE VETERANS' HOME				
Personal Services	1,606	2,436	2,436	0
Operating Expenses	532	503	413	90
TOTAL	2,138	2,939	2,849	90
DEPARTMENT TOTAL, VETERANS' AFFAIRS				
Personal Services	2,752	3,582	3,559	23
Operating Expenses	1,527	1,527	1,042	485
TOTAL	4,279	5,109	4,601	508
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,698	1,657	1,657	0
Operating Expenses	1,127	905	902	3
TOTAL	2,825	2,562	2,559	3
MIKE DURFEE STATE PRISON				
Personal Services	11,930	12,131	12,131	0
Operating Expenses	6,457	6,933	6,905	28
TOTAL	18,387	19,064	19,036	28
STATE PENITENTIARY				
Personal Services	17,697	18,187	18,183	4
Operating Expenses	6,807	6,995	6,958	37
TOTAL	24,504	25,182	25,141	41
WOMEN'S PRISON				
Personal Services	3,970	3,959	3,957	2
Operating Expenses	1,598	2,092	2,081	11
TOTAL	5,568	6,051	6,038	13
INMATE SERVICES				
Personal Services	1,672	1,592	1,591	1
Operating Expenses	23,936	26,521	26,521	0
TOTAL	25,608	28,113	28,112	1
PAROLE SERVICES				
Personal Services	3,575	3,454	3,453	1
Operating Expenses	2,076	1,896	1,866	30
TOTAL	5,651	5,350	5,319	31
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,561	2,178	2,177	1
Operating Expenses	11,043	9,351	9,283	68
TOTAL	13,604	11,529	11,460	69
YOUTH CHALLENGE CENTER				
Personal Services	433	0	0	0
Operating Expenses	92	0	0	0
TOTAL	525	0	0	0
PATRICK HENRY BRADY ACADEMY				
Personal Services	435	0	0	0
Operating Expenses	73	0	0	0
TOTAL	508	0	0	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	\$ 1,769	\$ 229	\$ 229	\$ 0
Operating Expenses	990	812	812	0
TOTAL	2,759	1,041	1,041	0
QUEST/EXCEL				
Personal Services	126	0	0	0
Operating Expenses	74	0	0	0
TOTAL	200	0	0	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	45,866	43,387	43,378	9
Operating Expenses	54,273	55,505	55,328	177
TOTAL	100,139	98,892	98,706	186
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	685	619	554	65
Operating Expenses	295	295	283	12
TOTAL	980	914	837	77
DEVELOPMENTAL DISABILITIES				
Personal Services	721	721	681	40
Operating Expenses	60,711	60,399	59,079	1,320
TOTAL	61,432	61,120	59,760	1,360
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	9,498	9,048	8,780	268
Operating Expenses	2,333	2,282	2,208	74
TOTAL	11,831	11,330	10,988	342
REHABILITATION SERVICES				
Personal Services	894	894	609	285
Operating Expenses	4,056	4,056	4,051	5
TOTAL	4,950	4,950	4,660	290
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	507	472	472	0
Operating Expenses	463	413	413	0
TOTAL	970	885	885	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	12,305	11,754	11,096	658
Operating Expenses	67,858	67,445	66,034	1,411
TOTAL	80,163	79,199	77,130	2,069
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	2,200	2,200	2,200	0
Operating Expenses	357	357	354	3
TOTAL	2,557	2,557	2,554	3
ENVIRONMENTAL SERVICES				
Personal Services	3,472	3,472	3,472	0
Operating Expenses	772	772	766	6
TOTAL	4,244	4,244	4,238	6
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	5,672	5,672	5,672	0
Operating Expenses	1,129	1,129	1,120	9
TOTAL	6,801	6,801	6,792	9

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	\$ 524	\$ 524	\$ 524	\$ 0
Operating Expenses	53	53	53	0
TOTAL	577	577	577	0
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	524	524	524	0
Operating Expenses	53	53	53	0
TOTAL	577	577	577	0
UNIFIED JUDICIAL SYSTEM				
Personal Services	39,617	39,117	38,901	216
Operating Expenses	5,833	6,223	4,731	1,492
TOTAL	45,450	45,340	43,632	1,708
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	39,617	39,117	38,901	216
Operating Expenses	5,833	6,223	4,731	1,492
TOTAL	45,450	45,340	43,632	1,708
LEGISLATIVE OPERATIONS				
Personal Services	0	0	0	0
Operating Expenses	0	0	0	0
Appropriation	6,327	6,327	6,072	255
TOTAL	6,327	6,327	6,072	255
AUDITOR GENERAL				
Personal Services	3,275	3,255	3,037	218
Operating Expenses	358	378	371	7
Appropriation	0	0	0	0
TOTAL	3,633	3,633	3,408	225
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	3,275	3,255	3,037	218
Operating Expenses	358	378	371	7
Appropriation	6,327	6,327	6,072	255
TOTAL	9,960	9,960	9,480	480
LEGAL SERVICES PROGRAM				
Personal Services	4,461	4,461	4,461	0
Operating Expenses	591	591	591	0
TOTAL	5,052	5,052	5,052	0
CRIMINAL INVESTIGATION				
Personal Services	4,490	4,490	4,490	0
Operating Expenses	1,409	1,567	1,551	16
TOTAL	5,899	6,057	6,041	16
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	488	488	488	0
TOTAL	488	488	488	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	8,951	8,951	8,951	0
Operating Expenses	2,488	2,646	2,630	16
TOTAL	11,439	11,597	11,581	16

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	BUDGETED AMOUNTS		Actual Amounts	Variance with Final Budget
	Original	Final		
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	\$ 416	\$ 400	\$ 391	\$ 9
Operating Expenses	388	388	166	222
TOTAL	804	788	557	231
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	416	400	391	9
Operating Expenses	388	388	166	222
TOTAL	804	788	557	231
SECRETARY OF STATE				
Personal Services	833	788	788	0
Operating Expenses	953	898	896	2
TOTAL	1,786	1,686	1,684	2
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	833	788	788	0
Operating Expenses	953	898	896	2
TOTAL	1,786	1,686	1,684	2
TREASURY MANAGEMENT				
Personal Services	395	395	385	10
Operating Expenses	150	150	134	16
TOTAL	545	545	519	26
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	395	395	385	10
Operating Expenses	150	150	134	16
TOTAL	545	545	519	26
STATE AUDITOR				
Personal Services	1,136	1,136	1,103	33
Operating Expenses	151	151	145	6
TOTAL	1,287	1,287	1,248	39
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	1,136	1,136	1,103	33
Operating Expenses	151	151	145	6
TOTAL	1,287	1,287	1,248	39
STATE TOTAL				
Personal Services	386,342	382,055	380,132	1,923
Operating Expenses	1,234,701	1,204,585	1,165,269	39,316
Appropriation	6,327	6,327	6,072	255
TOTAL CHARGES TO APPROPRIATION	\$ 1,627,370	\$ 1,592,967	\$ 1,551,473	\$ 41,494
NON-BUDGETED OUTFLOWS				
Transfer to Budget Reserve Fund	\$ 0	\$ 0	\$ 14,069	\$ (14,069)
TOTAL NON-BUDGETED OUTFLOWS	\$ 0	\$ 0	\$ 14,069	\$ (14,069)
CHANGE IN BUDGETARY FUND BALANCE	\$ (21,099)	\$ (20,970)	\$ (1,756)	\$ 19,214
BUDGETARY FUND BALANCE JULY 1, 2016	34,178	34,178	34,178	0
BUDGETARY FUND BALANCE JUNE 30, 2017	\$ 13,079	\$ 13,208	\$ 32,422	\$ 19,214

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, 2017
 (Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (outflows)				
GENERAL OPERATIONS				
Personal Services	\$ 71,001	\$ 71,001	\$ 67,812	\$ 3,189
Operating Expenses	142,456	142,353	110,830	31,523
TOTAL	213,457	213,354	178,642	34,712
CONTRACT CONSTRUCTION INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	489,495	489,495	422,034	67,461
TOTAL	489,495	489,495	422,034	67,461
ENFORCEMENT				
Personal Services	14,741	14,726	14,242	484
Operating Expenses	6,153	6,153	6,143	10
TOTAL	20,894	20,879	20,385	494
FUND TOTAL, TRANSPORTATION				
Personal Services	85,742	85,727	82,054	3,673
Operating Expenses	638,104	638,001	539,007	98,994
TOTAL CHARGES TO APPROPRIATION	\$ 723,846	\$ 723,728	\$ 621,061	\$ 102,667

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, 2017
(Expressed in Thousands)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
CHARGES TO APPROPRIATIONS (outflows)				
ADMINISTRATION				
Personal Services	\$ 5,896	\$ 5,896	\$ 4,615	\$ 1,281
Operating Expenses	10,989	10,989	6,719	4,270
TOTAL	16,885	16,885	11,334	5,551
ECONOMIC ASSISTANCE				
Personal Services	11,863	11,863	10,005	1,858
Operating Expenses	48,734	48,638	37,466	11,172
TOTAL	60,597	60,501	47,471	13,030
MEDICAL AND ADULT SERVICES				
Personal Services	6,752	6,752	5,462	1,290
Operating Expenses	485,798	481,485	440,334	41,151
TOTAL	492,550	488,237	445,796	42,441
CHILDREN'S SERVICES				
Personal Services	9,886	9,886	8,404	1,482
Operating Expenses	37,697	37,373	36,331	1,042
TOTAL	47,583	47,259	44,735	2,524
BEHAVIORAL HEALTH				
Personal Services	10,422	10,086	8,121	1,965
Operating Expenses	27,566	27,555	22,192	5,363
TOTAL	37,988	37,641	30,313	7,328
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	44,819	44,483	36,607	7,876
Operating Expenses	610,784	606,040	543,042	62,998
TOTAL CHARGES TO APPROPRIATION	\$ 655,603	\$ 650,523	\$ 579,649	\$ 70,874

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, 2017
 (Expressed in Thousands)**

	<u>General Fund</u>		
Inflows of Resources:			
Actual amounts (budgetary basis) "Amounts Available for Appropriation" from the budgetary comparison schedule	\$ 1,563,786		
Differences-budget to GAAP:			
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(115,106)		
To adjust revenues for accruals and other year-end entries such as the recording tax receivables, shared revenue receipts, and reclassification of lottery revenues	(73,078)		
To adjust revenues for statutorily created funds that do not qualify as special revenue funds	23,976		
Prior year carryover and encumbered amounts are inflows of budgetary resources but are not revenues for financial reporting purposes	(8,130)		
Other outflows of budgetary resources but are not revenues for financial reporting purposes	1,712		
Unexpended carryovers, specials, and deferred maintenances are inflows of budgetary resources but are not revenues for financial reporting purposes	(862)		
Sales of capital assets are inflows of budgetary resources but are not revenues for financial reporting purposes	(80)		
	<hr/>		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,392,218</u>		
	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Social Services Federal Fund</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the budgetary comparison schedule	\$ 1,551,473	\$ 621,061	\$ 579,649
Differences-budget to GAAP:			
Encumbrances for supplies, equipment ordered but not yet received and for uncompleted contracts are reported in the year first encumbered for budgetary purposes, but expenditures are reported in the year the related expenditure is incurred for financial reporting purposes.	(7,959)	(13,513)	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(4,914)		
To adjust expenditures/expenses for accruals and other year-end entries such as the recording of food stamps and shared revenue distribution	26,636	6,025	135,369
To adjust expenditures/expenses for statutorily created funds that do not qualify as special revenue funds	33,004		
	<hr/>	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$ 1,598,240</u>	<u>\$ 613,573</u>	<u>\$ 715,018</u>

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, 2017, 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 and General Revenue Replacement 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, 2017 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, 2015 to June 30, 2016 Measurement Date

Last Ten Fiscal Years *
(Dollars Expressed in Thousands)

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

* **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, 2017

Last Ten Fiscal Years *
(Dollars Expressed in Thousands)

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

* **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.

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, 2017
(Expressed in Thousands)**

<u>Assets</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 280,892	\$ 5,627	\$ 50,431	\$ 18	\$ 336,968
Restricted Cash		19			19
Investments	149,201	660		52,055	201,916
Restricted Investments		19,861			19,861
Receivables from:					
Taxes, net	3,478				3,478
Interest and Dividends	1,173	19	25	87	1,304
Other Funds	4,701				4,701
Component Units	29				29
Other Governments	84,620				84,620
Loans and Notes, net	55,592				55,592
Other, net	5,219	10,751			15,970
Inventory	3,438				3,438
Advances to Component Units	1,395				1,395
Other Assets	1,732				1,732
Total Assets	\$ 591,470	\$ 36,937	\$ 50,456	\$ 52,160	\$ 731,023
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 37,456	\$ 3	\$	\$	\$ 37,459
Payable to:					
Other Funds	23,397		129	1,473	24,999
Component Units	391				391
Other Governments	61,266				61,266
Claims, Judgments, and Compensated Absences	148				148
Unearned Revenue	15,150				15,150
Total Liabilities	137,808	3	129	1,473	139,413
Deferred Inflows of Resources:					
Unavailable Revenue	6,081	10,751			16,832
Total Deferred Inflows of Resources	6,081	10,751	0	0	16,832
Fund Balances:					
Nonspendable	89,279			50,873	140,152
Restricted	296,543	26,183	50,327		373,053
Committed	38,940				38,940
Assigned	28,375				28,375
Unassigned	(5,556)			(186)	(5,742)
Total Fund Balances	447,581	26,183	50,327	50,687	574,778
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 591,470	\$ 36,937	\$ 50,456	\$ 52,160	\$ 731,023

**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, 2017
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Revenue:					
Taxes	\$ 103,602	\$	\$	\$	\$ 103,602
Licenses, Permits, and Fees	278,357				278,357
Fines, Forfeits, and Penalties	14,060				14,060
Use of Money and Property	20,702	102	62	7,117	27,983
Sales and Services	21,241				21,241
Administering Programs	490,263				490,263
Tobacco Settlement		24,302			24,302
Other Revenue	10,178			796	10,974
Total Revenue	938,403	24,404	62	7,913	970,782
Expenditures:					
Current:					
General Government	39,527	182		2,068	41,777
Education	225,212				225,212
Health, Human, and Social Services	226,944				226,944
Law, Justice, Public Protection, and Regulation	103,170				103,170
Agriculture and Natural Resources	154,501				154,501
Economic Resources	26,784				26,784
Transportation	6,746				6,746
State Shared Revenue Paid to Other Governments	131,405				131,405
Capital Outlay			1,023		1,023
Debt Service:					
Principal		15,583			15,583
Interest		8,647			8,647
Bond Issuance Costs		14	308		322
Total Expenditures	914,289	24,426	1,331	2,068	942,114
Excess of Revenue Over (Under) Expenditures	24,114	(22)	(1,269)	5,845	28,668
Other Financing Sources (Uses):					
Capital Leases	32,048				32,048
Bonds Issued			44,305		44,305
Proceeds of Refunding Bonds		1,405			1,405
Premiums on Bond Issuance			6,173		6,173
Premiums on Refunding Bonds		206			206
Proceeds from Sale of Capital Assets	463				463
Insurance Proceeds	48				48
Payments on Advance Refundings		(1,488)			(1,488)
Transfers In	23,096	3,758			26,854
Transfers Out	(87,446)	(8,423)	(61)	(824)	(96,754)
Total Other Financing Sources (Uses)	(31,791)	(4,542)	50,417	(824)	13,260
Net Change in Fund Balances	(7,677)	(4,564)	49,148	5,021	41,928
Fund Balances at Beginning of Year, as restated	455,258	30,747	1,179	45,666	532,850
Fund Balances at End of Year	\$ 447,581	\$ 26,183	\$ 50,327	\$ 50,687	\$ 574,778

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2017
(Expressed in Thousands)**

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
Assets					
Cash and Cash Equivalents	\$	\$ 759	\$ 1,770	\$	\$ 10,636
Investments					
Receivables from:					
Taxes, net					
Interest and Dividends			1		
Other Funds	11	338	385	122	
Component Units	22				
Other Governments	28,925	10,651	1,243	2,611	885
Loans and Notes, net					5,594
Other, net	1		2		
Inventory	1,493	108	53	1,666	
Advances to Component Units					
Other Assets	138			47	4
Total Assets	\$ 30,590	\$ 11,856	\$ 3,454	\$ 4,446	\$ 17,119
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 3,641	\$ 8,479	\$ 1,391	\$ 1,972	\$ 64
Payable to:					
Other Funds	752	588	244	522	29
Component Units	121	30		63	
Other Governments	23,440	282	2	109	844
Claims, Judgments, and Compensated Absences	3	34	63	15	
Unearned Revenue	2,397	65	1		17
Total Liabilities	30,354	9,478	1,701	2,681	954
Deferred Inflows of Resources:					
Unavailable Revenue					
Total Deferred Inflows of Resources	0	0	0	0	0
Fund Balances:					
Nonspendable	138	108	53	1,713	4
Restricted	98			52	16,161
Committed					
Assigned		2,270	1,700		
Unassigned					
Total Fund Balances	236	2,378	1,753	1,765	16,165
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 30,590	\$ 11,856	\$ 3,454	\$ 4,446	\$ 17,119

Public Safety Emergency Management	Natural Resources Federal	Game, Fish, and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$ 335	\$	\$	\$ 16,038	\$ 11,431	\$ 834	\$ 5,124	\$ 7,059
							790
			56	19	19		5
34		13	9	18		99	
						7	
5,006	1,633	2,207		261		85	
11			1,324	588		152	
						48	
103						53	
\$ 5,489	\$ 1,633	\$ 2,220	\$ 17,427	\$ 12,317	\$ 853	\$ 5,568	\$ 7,854
\$ 2,949	\$ 376	\$ 864	\$ 1,802	\$ 2,247	\$ 141	\$ 448	\$ 63
88	1,089	479	434	585	26	481	647
	12	80	3			6	
1,893	118	555	109	5			781
				1	23	1	
		242		39			6,169
4,930	1,595	2,220	2,348	2,877	190	936	7,660
0	0	0	0	0	0	0	0
103						101	
			15,079	9,440		3,288	
					226		194
456	38				437	1,243	
559	38	0	15,079	9,440	663	4,632	194
\$ 5,489	\$ 1,633	\$ 2,220	\$ 17,427	\$ 12,317	\$ 853	\$ 5,568	\$ 7,854

Continued on next page

**STATE OF SOUTH DAKOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (continued)
 June 30, 2017
 (Expressed in Thousands)**

Assets	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation
Cash and Cash Equivalents	\$ 20,422	\$ 710	\$ 26,343	\$ 6,066	\$ 2,850
Investments				6,056	
Receivables from:					
Taxes, net					172
Interest and Dividends	60	2	85		8
Other Funds					
Component Units					
Other Governments	14,282	422		99	
Loans and Notes, net					
Other, net	382				
Inventory					
Advances to Component Units					
Other Assets					
Total Assets	\$ 35,146	\$ 1,134	\$ 26,428	\$ 12,221	\$ 3,030
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	\$ 629	\$ 594	\$ 21	\$	\$ 158
Payable to:					
Other Funds	1,752	377			5
Component Units					
Other Governments	27,578		202		
Claims, Judgments, and Compensated Absences		2			
Unearned Revenue					
Total Liabilities	29,959	973	223	0	163
Deferred Inflows of Resources:					
Unavailable Revenue					
Total Deferred Inflows of Resources	0	0	0	0	0
Fund Balances:					
Nonspendable					
Restricted			26,205	6,203	
Committed	5,187	855			2,867
Assigned				6,018	
Unassigned		(694)			
Total Fund Balances	5,187	161	26,205	12,221	2,867
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 35,146	\$ 1,134	\$ 26,428	\$ 12,221	\$ 3,030

<u>Maintenance and Repair</u>	<u>Water and Environment</u>	<u>Energy Conservation</u>	<u>Military Federal</u>	<u>Health Care Trust</u>	<u>Railroad Trust</u>	<u>Other</u>	<u>Total</u>
\$ 7,074	\$ 27,245	\$ 3,779	\$	\$ 175	\$ 8,727	\$ 123,515	\$ 280,892
				142,607		538	149,201
	457					2,059	3,478
17	107	18		252	179	345	1,173
887	894					1,891	4,701
							29
	137		3,135			13,038	84,620
	19,957	8,987			20,939	115	55,592
					157	2,602	5,219
						70	3,438
	1,395						1,395
						1,387	1,732
<u>\$ 7,978</u>	<u>\$ 50,192</u>	<u>\$ 12,784</u>	<u>\$ 3,135</u>	<u>\$ 143,034</u>	<u>\$ 30,002</u>	<u>\$ 145,560</u>	<u>\$ 591,470</u>
\$ 100	\$ 440	\$ 113	\$ 791	\$	\$ 287	\$ 9,886	\$ 37,456
5			1,923	5,215		8,156	23,397
					75	1	391
	2,030		379			2,939	61,266
						6	148
						6,220	15,150
<u>105</u>	<u>2,470</u>	<u>113</u>	<u>3,093</u>	<u>5,215</u>	<u>362</u>	<u>27,208</u>	<u>137,808</u>
	21					6,060	6,081
<u>0</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,060</u>	<u>6,081</u>
				85,631		1,428	89,279
	47,701	11,640		52,188	29,169	79,319	296,543
2,807		1,031			471	25,302	38,940
5,066			42			11,105	28,375
						(4,862)	(5,556)
<u>7,873</u>	<u>47,701</u>	<u>12,671</u>	<u>42</u>	<u>137,819</u>	<u>29,640</u>	<u>112,292</u>	<u>447,581</u>
<u>\$ 7,978</u>	<u>\$ 50,192</u>	<u>\$ 12,784</u>	<u>\$ 3,135</u>	<u>\$ 143,034</u>	<u>\$ 30,002</u>	<u>\$ 145,560</u>	<u>\$ 591,470</u>

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Education Federal	Human Services	Labor	Health Federal	Governor's Office and State Development Federal
Revenue:					
Taxes	\$	\$	444	\$	\$
Licenses, Permits, and Fees		125			
Fines, Forfeits, and Penalties				382	
Use of Money and Property		34			47
Sales and Services	161	2,079			53
Administering Programs	179,939	108,030	22,721	55,394	6,092
Other Revenue	91	46	14	33	
Total Revenue	180,191	110,314	23,179	55,809	6,192
Expenditures:					
General Government					
Education	180,082				
Health, Human, and Social Services		109,871	25,230	56,034	
Law, Justice, Public Protection, and Regulation			138		
Agriculture and Natural Resources					
Economic Resources					6,078
Transportation					
State Shared Revenue Paid to					
Other Governments					
Total Expenditures	180,082	109,871	25,368	56,034	6,078
Excess of Revenue Over (Under) Expenditures	109	443	(2,189)	(225)	114
Other Financing Sources (Uses):					
Capital Leases					
Insurance Proceeds					
Proceeds from Sale of Capital Assets		14	2	13	2
Transfers In		310	2,752	230	
Transfers Out	(92)	(570)			
Total Other Financing Sources (Uses)	(92)	(246)	2,754	243	2
Net Change in Fund Balances	17	197	565	18	116
Fund Balances at Beginning of Year, as restated	219	2,181	1,188	1,747	16,049
Fund Balances at End of Year	\$ 236	\$ 2,378	\$ 1,753	\$ 1,765	\$ 16,165

Public Safety Emergency Management	Natural Resources Federal	Game, Fish, and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
\$	\$	\$	\$	\$	\$	\$	\$
			29,962	1,990 19,895	30,596 26,422 18	10,766	9,181 6,559 2
11		151	175	2,789	29		5
			131		8	977	
26,199	8,432	20,730	5	392			
642	4	31	722	39	1	233	
26,852	8,436	20,912	30,995	25,105	57,074	11,976	15,747
						10,551	
27,487	8,544	20,095	30,415	25,602	2,980		1,406
							8,192
27,487	8,544	20,095	30,415	25,602	2,980	10,551	9,598
(635)	(108)	817	580	(497)	54,094	1,425	6,149
			259	84			
	101	252	1,610	33			
		(1,069)	(1,539)	(3,674)	(54,100)	(952)	(6,144)
0	101	(817)	330	(3,557)	(54,100)	(952)	(6,144)
(635)	(7)		910	(4,054)	(6)	473	5
1,194	45		14,169	13,494	669	4,159	189
\$ 559	\$ 38	\$ 0	\$ 15,079	\$ 9,440	\$ 663	\$ 4,632	\$ 194

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, 2017
(Expressed in Thousands)**

	Motor Vehicle	Revenue	Future	Vocational Education Facilities	Petroleum Release Compensation
Revenue:					
Taxes	\$ 3,931	\$ 10,351	\$ 17,956	\$	\$ 1,838
Licenses, Permits, and Fees	126,490	3,991		5,883	
Fines, Forfeits, and Penalties					
Use of Money and Property	14	(21)	44	20	(9)
Sales and Services	2,189				
Administering Programs					
Other Revenue	40			787	
Total Revenue	132,664	14,321	18,000	6,690	1,829
Expenditures:					
General Government	8,017	12,818			
Education				41,537	
Health, Human, and Social Services					
Law, Justice, Public Protection, and Regulation	8,592				
Agriculture and Natural Resources					1,409
Economic Resources			18,634		
Transportation					
State Shared Revenue Paid to					
Other Governments	113,535	463			
Total Expenditures	130,144	13,281	18,634	41,537	1,409
Excess of Revenue Over (Under) Expenditures	2,520	1,040	(634)	(34,847)	420
Other Financing Sources (Uses):					
Capital Leases				32,048	
Insurance Proceeds					
Proceeds from Sale of Capital Assets	2				
Transfers In	1,033			2,270	
Transfers Out	(2,055)	(7)			
Total Other Financing Sources (Uses)	(1,020)	(7)	0	34,318	0
Net Change in Fund Balances	1,500	1,033	(634)	(529)	420
Fund Balances at Beginning of Year, as restated	3,687	(872)	26,839	12,750	2,447
Fund Balances at End of Year	\$ 5,187	\$ 161	\$ 26,205	\$ 12,221	\$ 2,867

Maintenance and Repair	Water and Environment	Energy Conservation	Military Federal	Health Care Trust	Railroad Trust	Other	Total
\$	\$ 4,905 1,728	\$	\$	\$	\$ 315	\$ 22,410	\$ 103,602
						46,221	278,357
						13,658	14,060
28	458	17	53	15,155	714	988	20,702
3,783						11,860	21,241
			16,290			46,039	490,263
14		3			116	7,362	10,178
3,825	7,091	20	16,343	15,155	1,145	148,538	938,403
4,791				312		13,589	39,527
						3,593	225,212
						25,258	226,944
			16,343			46,224	103,170
	14,260					54,176	154,501
		954				1,118	26,784
					3,794	2,952	6,746
						9,215	131,405
4,791	14,260	954	16,343	312	3,794	156,125	914,289
(966)	(7,169)	(934)	0	14,843	(2,649)	(7,587)	24,114
							32,048
						48	48
					13	74	463
535	4,053					9,917	23,096
	(532)			(5,215)		(11,497)	(87,446)
535	3,521	0	0	(5,215)	13	(1,458)	(31,791)
(431)	(3,648)	(934)		9,628	(2,636)	(9,045)	(7,677)
8,304	51,349	13,605	42	128,191	32,276	121,337	455,258
\$ 7,873	\$ 47,701	\$ 12,671	\$ 42	\$ 137,819	\$ 29,640	\$ 112,292	\$ 447,581

**STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2017
(Expressed in Thousands)**

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	\$ 5,422	\$ 205	\$ 5,627
Restricted Cash		19	19
Investments		660	660
Restricted Investments		19,861	19,861
Receivables from:			
Interest and Dividends		19	19
Other, net		10,751	10,751
Total Assets	\$ 5,422	\$ 31,515	\$ 36,937
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable and Other Liabilities	\$	\$ 3	\$ 3
Total Liabilities	0	3	3
Deferred Inflows of Resources:			
Unavailable Revenue		10,751	10,751
Total Deferred Inflows of Resources	0	10,751	10,751
Fund Balances:			
Restricted	5,422	20,761	26,183
Total Fund Balances	5,422	20,761	26,183
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,422	\$ 31,515	\$ 36,937

**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, 2017
(Expressed in Thousands)**

	<u>Building Authority</u>	<u>Tobacco Securitization</u>	<u>Total</u>
Revenue:			
Use of Money and Property	\$	\$ 102	\$ 102
Tobacco Settlement		24,302	24,302
Total Revenue	<u>0</u>	<u>24,404</u>	<u>24,404</u>
Expenditures:			
Current:			
General Government	82	100	182
Debt Service:			
Principal	3,648	11,935	15,583
Interest	4,388	4,259	8,647
Bond Issuance Costs	14		14
Total Expenditures	<u>8,132</u>	<u>16,294</u>	<u>24,426</u>
Excess of Revenue Over (Under) Expenditures	(8,132)	8,110	(22)
Other Financing Sources (Uses):			
Proceeds of Refunding Bonds	1,405		1,405
Payments on Advance Refundings	(1,488)		(1,488)
Premiums on Refunding Bonds	206		206
Transfers In	3,758		3,758
Transfers Out	(197)	(8,226)	(8,423)
Total Other Financing Sources (Uses)	<u>3,684</u>	<u>(8,226)</u>	<u>(4,542)</u>
Net Change in Fund Balances	(4,448)	(116)	(4,564)
Fund Balances at Beginning of Year	9,870	20,877	30,747
Fund Balances at End of Year	<u>\$ 5,422</u>	<u>\$ 20,761</u>	<u>\$ 26,183</u>

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2017
(Expressed in Thousands)

Assets	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Current Assets:					
Cash and Cash Equivalents	\$ 77,181	\$ 113,562	\$ 1,599	\$ 1,138	\$ 474
Receivables:					
Interest and Dividends	284		8		2
Other Funds		30			
Component Units					
Other Governments		208			74
Loans and Notes, net	2,570				
Other, net	28	1,326			11
Inventory					1,570
Other Assets					
Total Current Assets	80,063	115,126	1,607	1,138	2,131
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant, and Equipment	28			7,998	559
Accumulated Depreciation	(28)			(3,051)	(466)
Construction in Progress					
Total Capital Assets	0	0	0	5,139	196
Other Noncurrent Assets	34,490				
Total Assets	114,553	115,126	1,607	6,277	2,327
Deferred Outflows of Resources					
Deferred Outflow Related to Pensions	128		9	166	167
Total Deferred Outflows of Resources	128	0	9	166	167
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	39		1	130	57
Payable to:					
Other Funds	8	82		10	4
Claims, Judgments, and Compensated Absences	13		1	26	51
Unearned Revenue				614	
Total Current Liabilities	60	82	2	780	112
Noncurrent Liabilities:					
Claims, Judgments, and Compensated Absences	12		1	23	45
Net Pension Liability	52		4	69	69
Total Noncurrent Liabilities	64	0	5	92	114
Total Liabilities	124	82	7	872	226
Deferred Inflows of Resources					
Deferred Inflow Related to Pensions	1			1	1
Total Deferred Inflows of Resources	1	0	0	1	1
Net Position					
Net Investment in Capital Assets				5,139	205
Restricted for Pensions	75		5	96	97
Restricted for Other	1,964				
Unrestricted	112,517	115,044	1,604	335	1,965
Total Net Position	\$ 114,556	\$ 115,044	\$ 1,609	\$ 5,570	\$ 2,267

<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>
\$ 4,113	\$ 532	\$ 2,228	\$ 11,228	\$ 5,404	\$ 2,296	\$ 219,755
160	5		38	15	6	518
	298		5		1	334
	50					50
					6	288
396						2,966
	52		7		2	1,426
	761				30	2,361
	5		507			512
<u>4,669</u>	<u>1,703</u>	<u>2,228</u>	<u>11,785</u>	<u>5,419</u>	<u>2,341</u>	<u>228,210</u>
						295
18	2,235		102		516	11,456
(17)	(1,582)		(69)		(168)	(5,381)
					82	82
<u>1</u>	<u>653</u>	<u>0</u>	<u>33</u>	<u>0</u>	<u>430</u>	<u>6,452</u>
3,690						38,180
<u>8,360</u>	<u>2,356</u>	<u>2,228</u>	<u>11,818</u>	<u>5,419</u>	<u>2,771</u>	<u>272,842</u>
21	265		1,316	732	453	3,257
<u>21</u>	<u>265</u>	<u>0</u>	<u>1,316</u>	<u>732</u>	<u>453</u>	<u>3,257</u>
14	70	5	465	3,289	176	4,246
90	29		85	20	45	373
14	68		240	169	67	649
	22		655			1,291
<u>118</u>	<u>189</u>	<u>5</u>	<u>1,445</u>	<u>3,478</u>	<u>288</u>	<u>6,559</u>
13	59		211	146	59	569
7	109		544	301	188	1,343
<u>20</u>	<u>168</u>	<u>0</u>	<u>755</u>	<u>447</u>	<u>247</u>	<u>1,912</u>
<u>138</u>	<u>357</u>	<u>5</u>	<u>2,200</u>	<u>3,925</u>	<u>535</u>	<u>8,471</u>
	2		9	5	3	22
<u>0</u>	<u>2</u>	<u>0</u>	<u>9</u>	<u>5</u>	<u>3</u>	<u>22</u>
1	653		33		430	6,461
14	154		763	426	262	1,892
						1,964
8,228	1,455	2,223	10,129	1,795	1,994	257,289
<u>\$ 8,243</u>	<u>\$ 2,262</u>	<u>\$ 2,223</u>	<u>\$ 10,925</u>	<u>\$ 2,221</u>	<u>\$ 2,686</u>	<u>\$ 267,606</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, 2017
(Expressed in Thousands)**

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits, and Fees	\$	\$	\$	\$ 1,744	\$
Use of Money and Property	765			488	
Sales and Services	47			746	3,472
Administering Programs				34	
Assessments		39,645	1		
Other Revenue				345	1
Total Operating Revenue	812	39,645	1	3,357	3,473
Operating Expenses:					
Personal Services and Benefits	285		28	961	584
Travel	6			12	5
Contractual Services	250			1,606	615
Supplies and Materials	14			523	2,616
Other				86	
Depreciation/Amortization				22	9
Insurance Claims		31,464	1,090		
Total Operating Expenses	555	31,464	1,118	3,210	3,829
Operating Income (Loss)	257	8,181	(1,117)	147	(356)
Nonoperating Revenue (Expenses):					
Gain on Disposal of Assets					
Interest Income	299	3,308	12	(17)	3
Other Expense	(210)				
Grant and Other Income					
Total Nonoperating Revenue (Expenses)	89	3,308	12	(17)	3
Income (Loss) Before Capital Contributions and Transfers	346	11,489	(1,105)	130	(353)
Capital Contributions and Transfers:					
Capital Contributions				426	
Transfers In	68			320	
Transfers Out		(819)	(1)		
Net Capital Contributions and Transfers	68	(819)	(1)	746	0
Change in Net Position	414	10,670	(1,106)	876	(353)
Net Position at Beginning of Year	114,142	104,374	2,715	4,694	2,620
Net Position at End of Year	\$ 114,556	\$ 115,044	\$ 1,609	\$ 5,570	\$ 2,267

<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>
\$ 60	\$	\$	\$ 8,139	\$ 4,760	\$ 1,877	\$ 16,580
135						1,388
39	4,050		268	322	1,015	9,959
			62			96
						39,646
			556		18	920
234	4,050	0	9,025	5,082	2,910	68,589
114	879		4,652	2,451	1,859	11,813
7	17		593	194	172	1,006
183	383	5	2,934	1,840	917	8,733
24	2,276		390	37	319	6,199
168			8		1	263
	69		9		29	138
						32,554
496	3,624	5	8,586	4,522	3,297	60,706
(262)	426	(5)	439	560	(387)	7,883
					1	1
(46)	1	8	47	9	6	3,630
(1)			(2)	(1)		(214)
135					49	184
88	1	8	45	8	56	3,601
(174)	427	3	484	568	(331)	11,484
						426
12		2,220		9	93	2,722
(104)	(1,355)		(131)	(2,342)		(4,752)
(92)	(1,355)	2,220	(131)	(2,333)	93	(1,604)
(266)	(928)	2,223	353	(1,765)	(238)	9,880
8,509	3,190	0	10,572	3,986	2,924	257,726
\$ 8,243	\$ 2,262	\$ 2,223	\$ 10,925	\$ 2,221	\$ 2,686	\$ 267,606

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 47	\$ 39,771	\$ 1	\$ 2,792	\$ 1,998
Receipts from Interfund Services Provided					1,386
Receipts from Federal Agencies					157
Receipts from Loan Payments	7,921				
Payments to Suppliers and for Benefits and Claims	(205)	(31,465)	(1,091)	(2,572)	(3,301)
Payments for Employee Services	(253)		(27)	(942)	(563)
Payments for Interfund Services Used	(64)			(155)	(92)
Payments for Loans Originated	(4,566)				
Other Receipts (Payments)		52		345	1
Net Cash Provided (Used) by Operating Activities	2,880	8,358	(1,117)	(532)	(414)
Cash Flows From Capital and Related Financing Activities:					
Capital Contributions				426	
Purchases of Capital Assets					
Construction in Progress				(789)	
Sales of Capital Assets					
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	(363)	0
Cash Flows From Noncapital Financing Activities:					
Transfers In	568			320	
Transfers Out		(773)	(1)		
Services Provided to Others	(195)				
Grants and Other Noncapital Financing Activities					
Net Cash Provided (Used) by Noncapital Financing Activities	373	(773)	(1)	320	0
Cash Flows From Investing Activities:					
Investment Income	253	3,308	9	(10)	2
Investment Expense	(16)				
Net Cash Provided (Used) by Investing Activities	237	3,308	9	(10)	2
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	3,490	10,893	(1,109)	(585)	(412)
Cash and Cash Equivalents at Beginning of Year	73,691	102,669	2,708	1,723	886
Cash and Cash Equivalents at End of Year	\$ 77,181	\$ 113,562	\$ 1,599	\$ 1,138	\$ 474
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 257	\$ 8,181	\$ (1,117)	\$ 147	\$ (356)
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense				22	9
Bad Debt Expense					
Interest Expense					
Miscellaneous Nonoperating Items					
Decrease/(Increase) in Assets:					
Accounts Receivable	41	92		7	4
Interest, Dividends, and Penalties Receivable	1				
Loans and Notes Receivable	2,551				
Due From Other Funds		52			
Due From Component Units					
Due From Other Governments		33			64
Inventory					(165)
Other Assets					
Restricted Net Pension Asset	78		4	85	85
Decrease/(Increase) in Deferred Outflows of Resources:					
Deferred Outflows Related to Pensions	15			(6)	(7)
Increase/(Decrease) in Liabilities:					
Accounts Payable	(1)			(500)	8
Accrued Liabilities	(1)		(2)	4	(1)
Compensated Absences Payable	3			(7)	1
Due To Other Funds					
Unearned Revenue				(228)	
Other Liabilities					
Net Pension Liability	52		4	69	69
Increase/(Decrease) in Deferred Inflows of Resources:					
Deferred Inflows Related to Pensions	(116)		(6)	(125)	(125)
Net Cash Provided (Used) by Operating Activities	\$ 2,880	\$ 8,358	\$ (1,117)	\$ (532)	\$ (414)

Rural Rehabilitation	Prison Industries	S.D. Trust Company Captive Insurance Co.	Professional and Licensing	Banking and Insurance	Other	Total
\$ 99	\$ 790 4,357	\$	\$ 8,814 66	\$ 5,117	\$ 2,866 11	\$ 62,295 5,820
						157
1,472						9,393
(396)	(2,838)		(3,674)	(1,184)	(1,215)	(47,941)
(88)	(849)		(4,488)	(2,342)	(1,851)	(11,403)
(27)	(123)		(803)	(158)	(107)	(1,529)
(92)						(4,658)
(60)			63	(35)	4	370
908	1,337	0	(22)	1,398	(292)	12,504
						426
					(199)	(199)
					(82)	(871)
					1	1
0	0	0	0	0	(280)	(643)
12		2,220		9	93	3,222
(104)	(1,355)		(131)	(2,342)		(4,706)
						(195)
135					48	183
43	(1,355)	2,220	(131)	(2,333)	141	(1,496)
12	3	8	39	10	5	3,639
(1)			(2)	(1)		(20)
11	3	8	37	9	5	3,619
962	(15)	2,228	(116)	(926)	(426)	13,984
3,151	547		11,344	6,330	2,722	205,771
\$ 4,113	\$ 532	\$ 2,228	\$ 11,228	\$ 5,404	\$ 2,296	\$ 219,755
\$ (262)	\$ 426	\$ (5)	\$ 439	\$ 560	\$ (387)	\$ 7,883
	69		9		29	138
155						155
(58)						(58)
(90)						(90)
	43		(4)		9	192
115						116
933						3,484
	1,053		(5)			1,100
	(1)					(1)
						97
	49				21	(95)
			(507)		58	(449)
28	134		669	353	185	1,621
27	(12)		(56)	(62)	(92)	(193)
1	(354)	5	(42)	725	(1)	(159)
2	(1)		(4)	9	6	12
4	1		(17)	29	(6)	8
88			10	4		102
	19		(71)			(280)
					(30)	(30)
7	109		544	301	188	1,343
(42)	(198)		(987)	(521)	(272)	(2,392)
\$ 908	\$ 1,337	\$ 0	\$ (22)	\$ 1,398	\$ (292)	\$ 12,504

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017
(Expressed in Thousands)**

Assets	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Current Assets:						
Cash and Cash Equivalents	\$ 35,715	\$ 3,982	\$ 1,410	\$ 2,152	\$ 649	\$ 603
Receivables:						
Interest and Dividends	129	13	5	7	1	2
Other Funds		2,179	980	1,208	1,438	279
Component Units		3	318	113		
Other Governments						
Other	2,580	1	17	1		2
Inventory		15	84			325
Other Assets	100	1,042	1,506	1,006		
Total Current Assets	38,524	7,235	4,320	4,487	2,088	1,211
Capital Assets:						
Property, Plant, and Equipment		15,092	4,308	13,191	1,353	601
Accumulated Depreciation		(13,093)	(2,767)	(11,645)	(1,223)	(409)
Construction in Progress						
Total Capital Assets	0	1,999	1,541	1,546	130	192
Total Assets	38,524	9,234	5,861	6,033	2,218	1,403
Deferred Outflows of Resources						
Deferred Outflow Related to Pensions	246	5,800	1,782	540	986	112
Total Deferred Outflows of Resources	246	5,800	1,782	540	986	112
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	1,410	1,175	541	126	338	40
Payable to:						
Other Funds	72	158	241	107	62	7
Component Units						
Bonds, Notes, and Leases Payable		514	295			45
Claims, Judgments, and Compensated Absences	14,162	1,310	458	136	192	36
Unearned Revenue	11,383	103				
Total Current Liabilities	27,027	3,260	1,535	369	592	128
Noncurrent Liabilities:						
Bonds, Notes, and Leases Payable		535	567			94
Claims, Judgments, and Compensated Absences	31	1,153	403	120	169	31
Net Pension Liability	101	2,411	742	225	405	46
Other Noncurrent Liabilities	47					
Total Noncurrent Liabilities	179	4,099	1,712	345	574	171
Total Liabilities	27,206	7,359	3,247	714	1,166	299
Deferred Inflows of Resources						
Deferred Inflow Related to Pensions	2	39	12	4	7	1
Total Deferred Inflows of Resources	2	39	12	4	7	1
Net Position						
Net Investment in Capital Assets		950	679	1,546	130	52
Restricted for Pensions	143	3,350	1,028	311	574	65
Unrestricted	11,419	3,336	2,677	3,998	1,327	1,098
Total Net Position	\$ 11,562	\$ 7,636	\$ 4,384	\$ 5,855	\$ 2,031	\$ 1,215

<u>Rural Development Telecommunica- tions Network</u>	<u>Public Entity Pool for Liability</u>	<u>Fleet and Travel Management</u>	<u>Personnel</u>	<u>Workers Compensation</u>	<u>Other</u>	<u>Total</u>
\$ 559	\$ 9,780	\$ 1,340	\$ 952	\$ 3,733	\$ 4,035	\$ 64,910
1	34	4	3	14	13	226
105		1,232	290		630	8,341
98		216			47	795
					155	155
1	42	17	6	6	104	2,777
					376	800
13	23		5	140		3,835
777	9,879	2,809	1,256	3,893	5,360	81,839
2,172	58	57,613	5		10,882	105,275
(2,116)	(58)	(35,515)	(5)		(5,186)	(72,017)
		58				58
56	0	22,156	0	0	5,696	33,316
833	9,879	24,965	1,256	3,893	11,056	115,155
142	108	207	1,029	80	1,907	12,939
142	108	207	1,029	80	1,907	12,939
27	68	395	249	17	560	4,946
23	12	497	58	5	185	1,427
		39				39
		4,381			36	5,271
45	1,572	41	224	3,567	430	22,173
					5	11,491
95	1,652	5,353	531	3,589	1,216	45,347
		11,327			8	12,531
40	2,560	36	197	23,582	378	28,700
59	44	86	427	33	803	5,382
						47
99	2,604	11,449	624	23,615	1,189	46,660
194	4,256	16,802	1,155	27,204	2,405	92,007
1	1	1	7	1	13	89
1	1	1	7	1	13	89
56		6,447			5,653	15,513
82	63	120	595	46	1,091	7,468
642	5,667	1,802	528	(23,278)	3,801	13,017
\$ 780	\$ 5,730	\$ 8,369	\$ 1,123	\$ (23,232)	\$ 10,545	\$ 35,998

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Sales and Services	\$ 142,721	\$ 23,313	\$ 15,799	\$ 4,686	\$ 6,441	\$ 3,515
Other Revenue	4,780	33	5	13	4	
Total Operating Revenue	147,501	23,346	15,804	4,699	6,445	3,515
Operating Expenses:						
Personal Services and Benefits	898	18,340	5,664	1,675	3,633	405
Travel	18	142	145	14	3	
Contractual Services	30,940	4,392	8,880	2,688	2,258	182
Supplies and Materials	70	790	238	77	673	2,867
Grant and Other						
Interest		73	1			4
Depreciation/Amortization		1,402	482	460	14	71
Insurance Claims	120,722					
Total Operating Expenses	152,648	25,139	15,410	4,914	6,581	3,529
Operating Income (Loss)	(5,147)	(1,793)	394	(215)	(136)	(14)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets		3	7			
Loss on Disposal of Assets						
Interest Income	44	22	3	13		3
Other Expense	(8)	(1)				
Grant and Other Income		6				
Total Nonoperating Revenue (Expenses)	36	30	10	13	0	3
Income (Loss) Before Capital Contributions and Transfers	(5,111)	(1,763)	404	(202)	(136)	(11)
Capital Contributions and Transfers:						
Capital Contribution						
Transfers In				606		
Net Capital Contributions and Transfers	0	0	0	606	0	0
Change in Net Position	(5,111)	(1,763)	404	404	(136)	(11)
Net Position at Beginning of Year	16,673	9,399	3,980	5,451	2,167	1,226
Net Position at End of Year	\$ 11,562	\$ 7,636	\$ 4,384	\$ 5,855	\$ 2,031	\$ 1,215

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 844	\$ 1,163	\$ 12,872	\$ 4,299	\$ 4,035	\$ 10,282	\$ 229,970
	211	7	3	16	167	5,239
844	1,374	12,879	4,302	4,051	10,449	235,209
462	544	739	3,706	280	6,418	42,764
11	39	8	71	1	359	811
322	779	2,107	924	123	2,070	55,665
21	34	6,116	150	8	1,957	13,001
		401			2	2
					5	484
45		5,232			492	8,198
	1,030			5,465	281	127,498
861	2,426	14,603	4,851	5,877	11,584	248,423
(17)	(1,052)	(1,724)	(549)	(1,826)	(1,135)	(13,214)
		466			4	480
		(79)			(12)	(91)
1	33	6	3	13	17	158
	(2)			(1)	(1)	(13)
						6
1	31	393	3	12	8	540
(16)	(1,021)	(1,331)	(546)	(1,814)	(1,127)	(12,674)
			286		2	2
0	0	0	286	0	675	1,567
					677	1,569
(16)	(1,021)	(1,331)	(260)	(1,814)	(450)	(11,105)
796	6,751	9,700	1,383	(21,418)	10,995	47,103
\$ 780	\$ 5,730	\$ 8,369	\$ 1,123	\$ (23,232)	\$ 10,545	\$ 35,998

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Self- Insurance	Information Services	Tele- communi- cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 73,376	\$ 550	\$ 4,480	\$ 459	\$ 5	\$ 188
Receipts from Interfund Services Provided	68,941	22,810	11,377	4,287	6,062	3,396
Payments to Suppliers and for Benefits and Claims	(150,804)	(4,072)	(8,142)	(1,622)	(2,137)	(3,069)
Payments for Employee Services	(835)	(17,633)	(5,454)	(1,638)	(3,498)	(388)
Payments for Interfund Services Used	(1,287)	(1,153)	(1,194)	(1,061)	(773)	(94)
Other Receipts (Payments)	5,009	16	5	13	4	
Net Cash Provided (Used) by Operating Activities	(5,600)	518	1,072	438	(337)	33
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(31)	(1,203)		(47)	
Construction in Progress						
Sales of Capital Assets		3	7			
Payments on Capital Lease Obligations		(854)	(325)			(59)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(882)	(1,521)	0	(47)	(59)
Cash Flows From Noncapital Financing Activities:						
Transfers In				606		
Grants and Other Noncapital Financing Activities		75				
Net Cash Provided (Used) From Noncapital Financing Activities	0	75	0	606	0	0
Cash Flows From Investing Activities:						
Investment Income	67	17	3	10		3
Investment Expense	(8)	(1)				
Net Cash Provided (Used) by Investing Activities	59	16	3	10	0	3
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(5,541)	(273)	(446)	1,054	(384)	(23)
Cash and Cash Equivalents at Beginning of Year	41,256	4,255	1,856	1,098	1,033	626
Cash and Cash Equivalents at End of Year	\$ 35,715	\$ 3,982	\$ 1,410	\$ 2,152	\$ 649	\$ 603
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (5,147)	\$ (1,793)	\$ 394	\$ (215)	\$ (136)	\$ (14)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,402	482	460	14	71
Interest Expense		58				4
Decrease/(Increase) in Assets:						
Accounts Receivable	(867)			2		(1)
Due From Other Funds		47	55	64	(374)	70
Due From Component Units			5	(4)		
Due From Other Governments						
Inventory		(6)	(1)			(120)
Other Assets	300	40	(90)	62		
Restricted Net Pension Asset	137	2,878	922	276	511	58
Decrease/(Increase) in Deferred Outflows of Resources:						
Deferred Outflows Related to Pensions	9	(358)	(49)	(19)	(28)	(3)
Increase/(Decrease) in Liabilities:						
Accounts Payable	(943)	57	13	27	(17)	6
Accrued Liabilities	5	12	(2)	(20)	4	
Compensated Absences Payable	13	7	(44)	(20)	(3)	2
Due To Other Funds	(5)	24	5	7	10	
Due To Component Units						
Due To Other Governments	2				31	
Unearned Revenue	(402)	(17)				
Policy Claim Liabilities	1,400					
Net Pension Liability	101	2,411	742	225	405	46
Increase/(Decrease) in Deferred Inflows of Resources:						
Deferred Inflows Related to Pensions	(203)	(4,244)	(1,360)	(407)	(754)	(86)
Net Cash Provided (Used) by Operating Activities	\$ (5,600)	\$ 518	\$ 1,072	\$ 438	\$ (337)	\$ 33
Noncash Investing, Capital, and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	\$	\$ 3	\$ 7	\$	\$	\$
Capital Lease Obligations Entered Into			1,187			
Transfers In (Out) of Fixed Assets						

Rural Development Telecommunica- tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
\$ 408	\$ 411	\$ 2,326	\$ 48	\$ 901	\$ 2,189	\$ 85,341
428	752	10,475	4,438	3,153	8,265	144,384
(183)	(1,928)	(7,336)	(655)	(4,366)	(3,245)	(187,559)
(444)	(367)	(703)	(3,564)	(272)	(6,257)	(41,053)
(121)	(404)	(838)	(483)	(37)	(1,540)	(8,985)
	10	16	3		164	5,240
88	(1,526)	3,940	(213)	(621)	(424)	(2,632)
(19)		(1,727)			(64)	(3,091)
		(58)				(58)
		1,092			6	1,108
		(4,377)			(48)	(5,663)
(19)	0	(5,070)	0	0	(106)	(7,704)
			286		547	1,439
						75
0	0	0	286	0	547	1,514
1	30	4	3	12	14	164
	(2)			(1)	(1)	(13)
1	28	4	3	11	13	151
70	(1,498)	(1,126)	76	(610)	30	(8,671)
489	11,278	2,466	876	4,343	4,005	73,581
\$ 559	\$ 9,780	\$ 1,340	\$ 952	\$ 3,733	\$ 4,035	\$ 64,910
\$ (17)	\$ (1,052)	\$ (1,724)	\$ (549)	\$ (1,826)	\$ (1,135)	\$ (13,214)
45		5,232			492	8,198
		410			5	477
	(9)	12	(3)	(2)	21	(847)
(2)		(54)	167		158	131
(6)		(20)			40	15
					(45)	(45)
					(110)	(237)
43	(23)			38		370
69	45	108	542	33	1,008	6,587
(12)	(22)	(4)	(13)	(15)	(14)	(528)
	14	(50)	21	(3)	23	(852)
1	5	1	1	1	(6)	2
4	15	5	(13)	5	(136)	(165)
6	2	90	7	1	(30)	117
		9			(9)	
		(1)			1	33
	(479)			1,163	(2)	(421)
59	44	86	427	33	803	5,382
(102)	(66)	(160)	(800)	(49)	(1,488)	(9,719)
\$ 88	\$ (1,526)	\$ 3,940	\$ (213)	\$ (621)	\$ (424)	\$ (2,632)
\$	\$	\$ 388	\$	\$	\$ 4	\$ 402
		4,381				5,568
					130	130

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
June 30, 2017
(Expressed in Thousands)**

	<u>Common School</u>	<u>Child's Own</u>	<u>Corrections</u>	<u>Other</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 175	\$ 360	\$ 1,308	\$ 911	\$ 2,754
Receivables:					
Due From Other Funds			122		122
Investment Income	401	1		2	404
Other	3	17		1	21
Total Receivables	404	18	122	3	547
Investments, at Fair Value:					
Pooled Investment Funds	233,109				233,109
Total Investments	233,109	0	0	0	233,109
Properties, at cost	14,009			11	14,020
Other Assets				12	12
Total Assets	247,697	378	1,430	937	250,442
Liabilities					
Payables:					
Accounts Payable and Other Liabilities		142		1	143
Due To Other Funds			202	26	228
Total Liabilities	0	142	202	27	371
Net Position - Restricted for Others	\$ 247,697	\$ 236	\$ 1,228	\$ 910	\$ 250,071

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Additions	Common School	Child's Own	Corrections	Other	Total
Contributions:					
From Clients and Inmates	\$	\$	\$ 7,125	\$ 1,463	\$ 8,588
Other	7,059				7,059
Total Contributions	7,059	0	7,125	1,463	15,647
Investment Income:					
<i>From Investing Activities</i>					
Net Increase (Decrease) in Fair Value of Investments	18,869				18,869
Pooled Interest and Dividends	3,930	1			3,931
Real Estate	1,251				1,251
Net Investment Income (Loss)	24,050	1	0	0	24,051
<i>From Security Lending Activities</i>					
Securities Lending Income	3				3
Escheated Property				5	5
Miscellaneous Income		683		16	699
Total Additions	31,112	684	7,125	1,484	40,405
Deductions					
Distribution to School Districts	10,196				10,196
Payments Made for Trust Purposes		634	7,032	1,516	9,182
Administrative Expenses				3	3
Total Deductions	10,196	634	7,032	1,519	19,381
Change in Net Position	20,916	50	93	(35)	21,024
Net Position at Beginning of Year	226,781	186	1,135	945	229,047
Net Position at End of Year	\$ 247,697	\$ 236	\$ 1,228	\$ 910	\$ 250,071



STATE OF SOUTH DAKOTA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2017
 (Expressed in Thousands)

	Department of Revenue Tax Collections	Social Services Child Support	State Auditor Payroll Withholding	State Clerk of Courts	Other	Total
Assets						
Cash and Cash Equivalents	\$ 1,557	\$ 2,681	\$ 8,386	\$ 6,915	\$ 1,432	\$ 20,971
Receivables:						
Taxes Receivable, net	42,503					42,503
Interest and Dividends Receivable					1	1
Other	384				62	446
Total Receivables	42,887	0	0	0	63	42,950
Total Assets	\$ 44,444	\$ 2,681	\$ 8,386	\$ 6,915	\$ 1,495	\$ 63,921
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	\$ 1,133	\$ 2,681	\$ 41	\$ 6,915	\$ 699	\$ 11,469
Due To Other Governments	43,311		8,345		796	52,452
Total Liabilities	\$ 44,444	\$ 2,681	\$ 8,386	\$ 6,915	\$ 1,495	\$ 63,921

**STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Department of Revenue - Tax Collections				
Assets:				
Cash and Cash Equivalents	\$ 24,932	\$ 390,305	\$ 413,680	\$ 1,557
Accounts Receivable	353	535	504	384
Taxes Receivable, net	41,433	42,504	41,434	42,503
Interest and Dividends Receivable	5		5	0
Due From Other Governments	13	348	361	0
Total Assets	<u>\$ 66,736</u>	<u>\$ 433,692</u>	<u>\$ 455,984</u>	<u>\$ 44,444</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 1,105	\$ 574	\$ 546	\$ 1,133
Due To Other Governments	65,631	433,118	455,438	43,311
Total Liabilities	<u>\$ 66,736</u>	<u>\$ 433,692</u>	<u>\$ 455,984</u>	<u>\$ 44,444</u>
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	\$ 2,263	\$ 116,407	\$ 115,989	\$ 2,681
Total Assets	<u>\$ 2,263</u>	<u>\$ 116,407</u>	<u>\$ 115,989</u>	<u>\$ 2,681</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 2,263	\$ 116,407	\$ 115,989	\$ 2,681
Total Liabilities	<u>\$ 2,263</u>	<u>\$ 116,407</u>	<u>\$ 115,989</u>	<u>\$ 2,681</u>
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	\$ 8,016	\$ 261,970	\$ 261,600	\$ 8,386
Total Assets	<u>\$ 8,016</u>	<u>\$ 261,970</u>	<u>\$ 261,600</u>	<u>\$ 8,386</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 34	\$ 10,963	\$ 10,956	\$ 41
Due To Other Governments	7,982	251,007	250,644	8,345
Total Liabilities	<u>\$ 8,016</u>	<u>\$ 261,970</u>	<u>\$ 261,600</u>	<u>\$ 8,386</u>
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	\$ 6,765	\$ 14,089	\$ 13,939	\$ 6,915
Total Assets	<u>\$ 6,765</u>	<u>\$ 14,089</u>	<u>\$ 13,939</u>	<u>\$ 6,915</u>
Liabilities:				
Accounts Payable and Other Liabilities	\$ 6,765	\$ 14,089	\$ 13,939	\$ 6,915
Total Liabilities	<u>\$ 6,765</u>	<u>\$ 14,089</u>	<u>\$ 13,939</u>	<u>\$ 6,915</u>

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, 2017
(Expressed in Thousands)**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Other Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 1,440	\$ 62,722	\$ 62,730	\$ 1,432
Accounts Receivable	42	62	42	62
Interest and Dividends Receivable	1	1	1	1
Total Assets	\$ 1,483	\$ 62,785	\$ 62,773	\$ 1,495
Liabilities:				
Accounts Payable and Other Liabilities	\$ 651	\$ 61,167	\$ 61,119	\$ 699
Due To Other Governments	832	1,618	1,654	796
Total Liabilities	\$ 1,483	\$ 62,785	\$ 62,773	\$ 1,495
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 43,416	\$ 845,493	\$ 867,938	\$ 20,971
Accounts Receivable	395	597	546	446
Taxes Receivable, net	41,433	42,504	41,434	42,503
Interest and Dividends Receivable	6	1	6	1
Due From Other Governments	13	348	361	0
Total Assets	\$ 85,263	\$ 888,943	\$ 910,285	\$ 63,921
Liabilities:				
Accounts Payable and Other Liabilities	\$ 10,818	\$ 203,200	\$ 202,549	\$ 11,469
Due To Other Governments	74,445	685,743	707,736	52,452
Total Liabilities	\$ 85,263	\$ 888,943	\$ 910,285	\$ 63,921

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2017
(Expressed in Thousands)

	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 241,380	\$ 16,014	\$ 243,341	\$ 17,313	\$ 518,048
Receivables:					
Interest and Dividends	4,753	46	1,350	86	6,235
Primary Government			845		845
Other Governments			20,154		20,154
Loans and Notes, net	58,072		5,865	814	64,751
Other, net	3,051	1,879	49,217	273	54,420
Investments	80,832		27,889	464	109,185
Restricted Assets:					
Investments				2,570	2,570
Inventory	2,464	2,441	8,085		12,990
Other Assets	64	588	4,214	20	4,886
Total Current Assets	390,616	20,968	360,960	21,540	794,084
Investments	711,994		314,268	1,950	1,028,212
Assets Held for Resale				4,978	4,978
Restricted Assets:					
Cash and Cash Equivalents			75,787	12	75,799
Investments			163,400	3,260	166,660
Other			38,935		38,935
Capital Assets:					
Land and Other Non-depreciable Assets	220	19,821	40,139	351	60,531
Property, Plant, and Equipment	10,278	58,918	1,729,359	24,124	1,822,679
Accumulated Depreciation	(4,898)	(13,550)	(673,274)	(2,474)	(694,196)
Construction in Progress		19,797	56,475		76,272
Total Capital Assets	5,600	84,986	1,152,699	22,001	1,265,286
Other Noncurrent Assets, net	522,722	5,040	74,064	9,419	611,245
Total Assets	1,630,932	110,994	2,180,113	63,160	3,985,199
Deferred Outflows of Resources					
Deferred Outflow Related to Pensions	1,411	4,175	125,317		130,903
Deferred Swap Outflow	1,167				1,167
Deferred Outflow on Debt Refunding	2,030		4,547		6,577
Total Deferred Outflows of Resources	4,608	4,175	129,864	0	138,647
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	905	2,538	47,482	119	51,044
Payable to Primary Government	91		880		971
Escrow Payable	7,447				7,447
Bonds, Notes, and Leases Payable	39,858		38,606	548	79,012
Claims, Judgments, and Compensated Absences	294	686	12,510		13,490
Accrued Interest Payable	4,367		4,231	123	8,721
Unearned Revenue			10,132	3,704	13,836
Advances from Primary Government				1,051	1,051
Other Current Liabilities			22,961	60	23,021
Total Current Liabilities	52,962	3,224	136,802	5,605	198,593
Noncurrent Liabilities:					
Bonds, Notes, and Leases Payable	1,069,500	4,000	501,272	11,358	1,586,130
Claims, Judgments, and Compensated Absences	259	512	26,979		27,750
Federal Capital Contribution Refundable Advance			39,461		39,461
Advances from Primary Government				21,228	21,228
Net Pension Liability	588	1,698	51,503		53,789
Other Noncurrent Liabilities	2,118		14,353	1,038	17,509
Total Noncurrent Liabilities	1,072,465	6,210	633,568	33,624	1,745,867
Total Liabilities	1,125,427	9,434	770,370	39,229	1,944,460
Deferred Inflows of Resources					
Deferred Inflow Related to Pensions	71				71
Deferred Inflow on Gain on Debt Refunding	1,366		15		1,381
Deferred Forward Contract Inflow	64				64
Total Deferred Inflows of Resources	1,501	0	15	0	1,516
Net Position					
Net Investment in Capital Assets	(655)	84,780	682,479	503	767,107
Restricted for:					
Debt Service	423,105		3,122	5,000	431,227
HOME and NSP Program	72,938				72,938
Higher Education - Expendable			245,087		245,087
Higher Education - Nonexpendable			393,590		393,590
Experiments		3,426			3,426
Mine Closure		1,412			1,412
Sanford Center for Science Education		463			463
Indemnification		7,500			7,500
Pensions	753	2,477	73,814		77,044
Other	12,471				12,471
Unrestricted		5,677	141,500	18,428	165,605
Total Net Position	\$ 508,612	\$ 105,735	\$ 1,539,592	\$ 23,931	\$ 2,177,870

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Business-type Activities				Total
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of Higher Education of \$40,979)	\$	\$	\$ 254,470	\$	\$ 254,470
Use of Money and Property	20,403			499	20,902
Sales and Services (net of discounts and allowances for scholarships of Higher Education of \$11,884)		151	118,612	4,000	122,763
Administering Programs	28,293	25,691	108,817	309	163,110
Other Revenue	7,548	144	115,549	54	123,295
Total Operating Revenue	56,244	25,986	597,448	4,862	684,540
Operating Expenses:					
Personal Services and Benefits	4,100	13,694	452,349		470,143
Travel	317	183	20,272	13	20,785
Contractual Services	10,016	10,098	119,676	1,837	141,627
Supplies and Materials	3,518	2,564	67,209	133	73,424
Grants and Subsidies	25,583		35,361	4,323	65,267
Other			4,050	316	4,366
Interest	28,195		301	460	28,956
Provisions for Loan Loss (Recovery)	2,827				2,827
Depreciation/Amortization	466	2,096	53,355	850	56,767
Total Operating Expenses	75,022	28,635	752,573	7,932	864,162
Operating Income (Loss)	(18,778)	(2,649)	(155,125)	(3,070)	(179,622)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets			(892)		(892)
Interest Income		45	18,391	187	18,623
Interest Expense			(22,692)	(698)	(23,390)
Other Expense		(121)	(9,515)	(1)	(9,637)
State Aid from Primary Government			206,253		206,253
Federal Appropriation			5,216		5,216
Grant and Other Income		2,000	36,613		38,613
Total Nonoperating Revenue (Expenses)	0	1,924	233,374	(512)	234,786
Income (Loss) Before Capital Grants and Additions to Endowments	(18,778)	(725)	78,249	(3,582)	55,164
Capital Grants			5,468	4,279	9,747
Additions to Endowments			12,512		12,512
Change in Net Position	(18,778)	(725)	96,229	697	77,423
Net Position at Beginning of Year, as restated	527,390	106,460	1,443,363	23,234	2,100,447
Net Position at End of Year	\$ 508,612	\$ 105,735	\$ 1,539,592	\$ 23,931	\$ 2,177,870

**STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	<u>Higher Education</u>
Cash Flows from Operating Activities:	
Tuition and Fees	\$ 255,918
Auxiliaries	68,118
Sales & Services - General	51,166
Federal Contracts & Grants	70,868
State Contracts & Grants	8,102
Private Contracts & Grants	24,311
Other Revenue and Additions	168
Loans Issued to Students	(6,739)
Loans Collected from Students	5,471
Student Loan Interest	594
Payments for Personal Services Expenditures	(426,896)
Payments for Travel Expenditures	(18,607)
Payments for Contractual Expenditures	(116,493)
Payments for Supply Expenditures and Non-Capitalized Equipment	(65,238)
Payments for Grant and Subsidy Expenditures	(35,576)
Payments for Other Expenditures	(492)
Foundation Activity	(17,192)
Net Cash Provided (Used) by Operating Activities	<u>(202,517)</u>
Cash Flows from Noncapital Financing Activities:	
General Fund Appropriations	206,253
School & Public Lands	1,989
Federal Fund Appropriations	4,076
Endo/Ecto Tax	779
Federal loan Disbursements	(169,473)
Federal Loan Receipts	169,473
Private Loan Disbursements	(6,859)
Private Loan Receipts	6,859
Federal Capital Contribution - Student Loan	254
Other Revenues & Additions	42,262
Payments for Other Expenditures	(513)
Foundation Activity	63,676
Net Cash Provided (Used) by Noncapital Financing Activities	<u>318,776</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Grants & Contracts	4,281
Proceeds from Capital Debt (Leases)	33,627
Revenue Bond Discounts and Related Costs	(761)
Principal Paid on Capital Debt and Leases	(23,843)
Interest Paid on Capital Debt and Leases	(23,310)
Purchase of Capital Assets	(107,118)
Foundation Activity	(5,058)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(122,182)</u>
Cash Flows from Investing Activities:	
Investment Income	610
Sale of Investment	26
Foundation Activity	19,908
Net Cash Provided (Used) by Investing Activities	<u>20,544</u>
Net Increase (Decrease) in Cash and Cash Equivalents during the Fiscal Year	14,621
Cash and Cash Equivalents at Beginning of Year	304,507
Cash and Cash Equivalents at End of Year	<u>\$ 319,128</u>

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
HIGHER EDUCATION
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	<u>Higher Education</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities	
Operating Income (Loss)	\$ (155,125)
Adjustments to Reconcile Operating Income (Loss):	
Depreciation Expense	53,355
Bad Debt Expense	920
Donated Amounts	(40)
Loan Cancellation Expense	1,126
Pension Adjustment	17,788
Foundation Activity	(115,155)
Decrease/(Increase) in Assets:	
Accounts Receivable Students	(30)
Accounts Receivable - Dept	(698)
Interest Receivable	(46)
Notes Receivable	(1,067)
Due From Federal Sources	(2,198)
Due From Primary Govt	133
Due from Component Unit	(1,832)
Prepaid Expense and Deferred Charges	(235)
Inventory	(505)
Other Assets	(55)
Increase/(Decrease) in Liabilities:	
Accounts Payable	136
Accrued Wages & Benefits	248
Due to Primary Government	43
Due To Component Unit	559
Student Deposits	159
Compensated Absences	(372)
Unearned Revenue	(2,296)
Obligations Under Cap Leases - Non Cap	2,653
Agency Funds Held for Others	23
Other Non-Current Liabilities	(6)
Net Cash Provided (Used) by Operating Activities	\$ (202,517)
Noncash Investing, Capital and Financing Activities:	
Transfers In (Out) of Fixed Assets	\$ 1,902

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS
June 30, 2017
(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.	
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 1,395	\$ 1,292	\$ 4,990	\$ 4,654	\$ 4,982	\$ 17,313
Receivables:						
Interest and Dividends	67	1		11	7	86
Loans and Notes, net	568	246				814
Other, net			271		2	273
Investments	464					464
Restricted:						
Investments	2,570					2,570
Other Assets			20			20
Total Current Assets	5,064	1,539	5,281	4,665	4,991	21,540
Investments	1,950					1,950
Assets Held for Resale			4,978			4,978
Restricted Assets:						
Cash and Cash Equivalents	12					12
Investments	3,260					3,260
Capital Assets:						
Land and Other Non-depreciable Assets			351			351
Property, Plant, and Equipment			24,124			24,124
Accumulated Depreciation			(2,474)			(2,474)
Total Capital Assets	0	0	22,001	0	0	22,001
Other Noncurrent Assets, net	8,414	803	202			9,419
Total Assets	18,700	2,342	32,462	4,665	4,991	63,160
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities			48	32	39	119
Bonds, Notes, and Leases Payable	385	163				548
Accrued Interest Payable	114	9				123
Unearned Revenue			3,704			3,704
Advances from Primary Government			1,051			1,051
Other Current Liabilities				29	31	60
Total Current Liabilities	499	172	4,803	61	70	5,605
Noncurrent Liabilities:						
Bonds, Notes, and Leases Payable	8,355	1,383	1,620			11,358
Advances from Primary Government			21,228			21,228
Other Noncurrent Liabilities	855			147	36	1,038
Total Noncurrent Liabilities	9,210	1,383	22,848	147	36	33,624
Total Liabilities	9,709	1,555	27,651	208	106	39,229
Net Position						
Net Investment in Capital Assets			503			503
Restricted for:						
Debt Service	5,000					5,000
Unrestricted	3,991	787	4,308	4,457	4,885	18,428
Total Net Position	\$ 8,991	\$ 787	\$ 4,811	\$ 4,457	\$ 4,885	\$ 23,931

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2017
(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.	
Operating Revenue:						
Use of Money and Property	\$ 469	\$ 30	\$	\$	\$	\$ 499
Sales and Services			2,705	193	1,102	4,000
Administering Programs			309			309
Other Revenue		4	50			54
Total Operating Revenue	469	34	3,064	193	1,102	4,862
Operating Expenses:						
Travel			13			13
Contractual Services	45		1,467	124	201	1,837
Supplies and Materials			133			133
Grant and Subsidies			4,323			4,323
Other				121	195	316
Interest	460					460
Depreciation/Amortization			850			850
Total Operating Expenses	505	0	6,786	245	396	7,932
Operating Income (Loss)	(36)	34	(3,722)	(52)	706	(3,070)
Nonoperating Revenue (Expenses):						
Interest Income	69	1	12	58	47	187
Interest Expense		(17)	(681)			(698)
Other Expense				(1)		(1)
Total Nonoperating Revenue (Expenses)	69	(16)	(669)	57	47	(512)
Income (Loss) Before Capital Grants	33	18	(4,391)	5	753	(3,582)
Capital Grants			4,279			4,279
Change in Net Position	33	18	(112)	5	753	697
Net Position at Beginning of Year	8,958	769	4,923	4,452	4,132	23,234
Net Position at End of Year	\$ 8,991	\$ 787	\$ 4,811	\$ 4,457	\$ 4,885	\$ 23,931





STATISTICAL SECTION



STATISTICAL SECTION

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.

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These schedules present trend information to help the reader understand how the State's financial performance and fiscal health have changed over time.

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

(Accrual Basis of Accounting, Dollars Expressed in Thousands)

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 3,961,256	\$ 3,804,409	\$ 3,713,057	\$ 3,673,267	\$ 3,548,433
Restricted	1,588,336	1,509,441	1,537,781	1,383,140	1,241,520
Unrestricted	267,296	254,579	264,916	246,555	202,835
Total Governmental Activities Net Position	<u>\$ 5,816,888</u>	<u>\$ 5,568,429</u>	<u>\$ 5,515,754</u>	<u>\$ 5,302,962</u>	<u>\$ 4,992,788</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 7,060	\$ 6,357	\$ 2,810	\$ 3,650	\$ 4,379
Restricted	5,085	5,481	6,155	912	916
Unrestricted	684,730	660,697	624,416	588,495	545,751
Total Business-type Activities Net Position	<u>\$ 696,875</u>	<u>\$ 672,535</u>	<u>\$ 633,381</u>	<u>\$ 593,057</u>	<u>\$ 551,046</u>
Primary Government:					
Net Investment in Capital Assets	\$ 3,968,316	\$ 3,810,766	\$ 3,715,867	\$ 3,676,917	\$ 3,552,812
Restricted	1,593,421	1,514,922	1,543,936	1,384,052	1,242,436
Unrestricted	952,026	915,276	889,332	835,050	748,586
Total Primary Government Net Position	<u>\$ 6,513,763</u>	<u>\$ 6,240,964</u>	<u>\$ 6,149,135</u>	<u>\$ 5,896,019</u>	<u>\$ 5,543,834</u>

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities:					
Net Investment in Capital Assets	\$ 3,480,152	\$ 3,300,829	\$ 3,211,673	\$ 3,101,101	\$ 3,053,427
Restricted	1,114,366	1,144,456	1,004,704	897,491	1,032,035
Unrestricted	158,316	95,317	79,854	67,523	67,587
Total Governmental Activities Net Position	<u>\$ 4,752,834</u>	<u>\$ 4,540,602</u>	<u>\$ 4,296,231</u>	<u>\$ 4,066,115</u>	<u>\$ 4,153,049</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 3,893	\$ 4,360	\$ 4,863	\$ 2,299	\$ 2,565
Restricted	891	1,931	2,138	302,713	284,272
Unrestricted	520,208	498,567	445,444	102,607	122,595
Total Business-type Activities Net Position	<u>\$ 524,992</u>	<u>\$ 504,858</u>	<u>\$ 452,445</u>	<u>\$ 407,619</u>	<u>\$ 409,432</u>
Primary Government:					
Net Investment in Capital Assets	\$ 3,484,045	\$ 3,305,189	\$ 3,216,536	\$ 3,103,400	\$ 3,055,992
Restricted	1,115,257	1,146,387	1,006,842	1,200,204	1,316,307
Unrestricted	678,524	593,884	525,298	170,130	190,182
Total Primary Government Net Position	<u>\$ 5,277,826</u>	<u>\$ 5,045,460</u>	<u>\$ 4,748,676</u>	<u>\$ 4,473,734</u>	<u>\$ 4,562,481</u>

Source: South Dakota Comprehensive Annual Financial Reports (FY 2008-2017). 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General Government	\$ 198,531	\$ 198,079	\$ 185,273	\$ 180,221	\$ 169,843	\$ 164,005	\$ 157,405	\$ 146,193	\$ 170,900	\$ 175,272
Education - Elementary, Secondary, and Vocational Schools	223,668	210,777	210,271	206,939	201,177	211,413	218,959	212,919	195,534	200,226
Education - State Support to Higher Education	206,253	232,245	192,950	219,341	176,294	171,701	185,757	182,681	196,007	170,348
Health, Human, and Social Services	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	1,127,618
Law, Justice, Public Protection, and Regulation	294,852	269,583	279,097	321,186	277,223	286,127	286,824	241,217	243,805	233,676
Agriculture and Natural Resources	161,412	153,087	140,921	152,666	144,245	130,279	151,116	130,943	118,686	114,783
Economic Resources	52,771	56,138	74,004	40,121	43,300	40,865	51,157	52,966	45,006	47,226
Transportation	459,424	561,536	507,300	473,323	537,497	482,400	508,548	457,081	408,482	316,113
Intergovernmental - Payments to School Districts	516,880	421,666	404,909	393,606	394,857	375,008	412,310	405,947	400,162	376,843
Intergovernmental - Revenue Sharing	176,836	173,721	169,514	161,564	141,514	122,320	100,493	103,425	99,064	103,633
Unallocated Interest Expense	6,419	6,627	6,712	9,198	14,537	17,393	18,711	19,820	21,514	22,805
Unallocated Depreciation	53	53	53	53	53	53	58	58	58	58
Total Governmental Activities Expenses	3,801,066	3,706,923	3,577,590	3,538,866	3,467,895	3,356,328	3,446,167	3,291,172	3,099,654	2,888,601
Business-type Activities:										
Lottery	39,907	43,454	41,053	42,806	44,114	39,877	36,775	35,411	32,767	33,419
Clean Water State Revolving	9,638	8,290	9,673	9,879	10,898	16,406	11,109	4,455	4,777	4,486
Drinking Water State Revolving	7,511	9,031	8,651	9,352	10,337	10,936	11,964	5,066	3,253	2,855
Other	60,920	60,382	56,081	66,042	81,648	92,096	100,406	125,993	89,451	54,688
Total Business-type Activities Expenses	117,976	121,157	115,458	128,079	146,997	159,315	160,254	170,925	130,248	95,448
Total Primary Government Expenses	\$ 3,919,042	\$ 3,828,080	\$ 3,693,048	\$ 3,666,945	\$ 3,614,892	\$ 3,515,643	\$ 3,606,421	\$ 3,462,097	\$ 3,229,902	\$ 2,984,049
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 242,343	\$ 236,003	\$ 244,728	\$ 227,851	\$ 212,529	\$ 194,439	\$ 170,598	\$ 166,457	\$ 158,248	\$ 147,597
Education - Elementary, Secondary, and Vocational Schools	11,136	10,016	8,489	7,687	7,888	6,147	5,843	6,204	2,489	3,451
Health, Human, and Social Services	39,584	41,741	39,058	36,597	38,098	33,030	36,256	36,758	25,865	25,858
Law, Justice, Public Protection, and Regulation	85,221	82,456	85,252	76,048	80,750	66,235	60,555	57,213	50,888	50,335
Agriculture and Natural Resources	85,226	83,921	76,994	77,514	72,972	69,331	67,815	64,940	61,572	65,783
Economic Resources	433	452	1,611	3,789	3,064	3,268	1,332	1,796	2,379	2,011
Transportation	15,927	14,755	9,007	6,979	6,682	7,514	7,776	6,301	6,052	6,815
Operating Grants and Contributions	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	1,246,925
Capital Grants and Contributions	3,886	7,045	21,946	1,516	1,046	1,608	3,945	2,275	2,519	25,395
Total Governmental Activities Program Revenues	2,037,216	1,952,060	1,980,627	2,020,622	2,011,442	2,051,618	2,192,432	2,110,901	1,757,765	1,574,170
Business-type Activities:										
Charges for Services:										
Lottery	156,814	160,728	152,362	148,323	151,414	143,078	144,460	154,669	152,590	156,241
Clean Water State Revolving	6,963	6,899	6,856	6,019	5,277	5,677	6,014	5,781	4,954	4,826
Drinking Water State Revolving	4,519	4,333	4,197	4,327	4,321	4,922	4,807	3,997	3,696	3,582
Other	68,543	75,454	71,243	81,681	85,946	94,455	112,210	119,048	60,925	59,152
Operating Grants and Contributions	25,334	32,772	30,005	33,994	30,519	30,910	52,926	50,927	26,272	21,879
Capital Grants and Contributions	426	727	2,810							
Total Business-type Activities Program Revenues	262,599	280,913	267,473	274,344	277,477	279,042	320,417	334,422	248,437	245,680
Total Primary Government Program Revenues	\$ 2,299,815	\$ 2,232,973	\$ 2,248,100	\$ 2,294,966	\$ 2,288,919	\$ 2,330,660	\$ 2,512,849	\$ 2,445,323	\$ 2,006,202	\$ 1,819,850
Net (Expense)/Revenue										
Governmental Activities	\$ (1,763,850)	\$ (1,754,863)	\$ (1,596,963)	\$ (1,518,244)	\$ (1,456,453)	\$ (1,304,710)	\$ (1,253,735)	\$ (1,180,271)	\$ (1,341,889)	\$ (1,314,431)
Business-type Activities	144,623	159,756	152,015	146,265	130,480	119,727	160,163	163,497	118,189	150,232
Total Primary Government Net (Expense)/Revenue	\$ (1,619,227)	\$ (1,595,107)	\$ (1,444,948)	\$ (1,371,979)	\$ (1,325,973)	\$ (1,184,983)	\$ (1,093,572)	\$ (1,016,774)	\$ (1,223,700)	\$ (1,164,199)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Sales Taxes	\$ 991,155	\$ 905,475	\$ 871,402	\$ 858,001	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123
Motor Fuel Taxes	183,795	184,105	151,901	136,395	139,048	130,864	130,542	127,807	124,442	125,005
Contractors Excise Taxes	106,834	104,979	101,678	93,746	94,967	90,636	66,518	85,973	71,533	79,137
Bank Card and Franchise Taxes	32,844	25,943	20,669	23,943	49,493	32,941	16,954	16,674	55,260	62,036
Other Taxes	371,864	360,917	331,649	311,397	299,726	297,750	266,415	273,535	261,176	264,944
Investment Earnings	109,684	14,997	47,130	142,003	130,881	29,925	143,106	101,246	(91,586)	(18,946)
Gain on Sale of Capital Assets	1,463	2,057	1,198	2,726	2,127	3,915	819	526	919	1,135
Miscellaneous	80,500	88,463	81,275	133,988	76,047	51,652	41,519	36,625	52,288	41,805
Special Items				17,619						
Transfers	120,283	120,602	113,558	102,937	104,426	100,257	107,750	118,671	120,002	122,251
Total Governmental Activities	1,998,422	1,807,538	1,720,460	1,822,755	1,699,415	1,516,942	1,515,078	1,424,203	1,269,686	1,345,490
Business-type Activities:										
Transfers	(120,283)	(120,602)	(113,558)	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)
Total Business-type Activities	(120,283)	(120,602)	(113,558)	(102,937)	(104,426)	(100,257)	(107,750)	(118,671)	(120,002)	(122,251)
Total Primary Government	\$ 1,878,139	\$ 1,686,936	\$ 1,606,902	\$ 1,719,818	\$ 1,594,989	\$ 1,416,685	\$ 1,407,328	\$ 1,305,532	\$ 1,149,684	\$ 1,223,239
Change in Net Position										
Governmental Activities	\$ 234,572	\$ 52,675	\$ 123,497	\$ 304,511	\$ 242,962	\$ 212,232	\$ 261,343	\$ 243,932	\$ (72,203)	\$ 31,059
Business-type Activities	24,340	39,154	38,457	43,328	26,054	19,470	52,413	44,826	(1,813)	27,981
Total Primary Government	\$ 258,912	\$ 91,829	\$ 161,954	\$ 347,839	\$ 269,016	\$ 231,702	\$ 313,756	\$ 288,758	\$ (74,016)	\$ 59,040

Source: South Dakota Comprehensive Annual Financial Reports (FY 2008-2017). 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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund (Per GASB 54):										
Non-Spendable	\$ 6,458	\$ 4,193	\$ 3,911	\$ 3,629	\$ 3,419	\$ 2,916	\$ 3,148			
Restricted	3,300	8,384	10,479	8,264	1,018					
Committed										
Assigned	54,835	54,516	120,180	149,021	126,872	140,706	148,137			
Unassigned	249,087	242,449	183,570	159,403	186,444	147,445	136,018			
Total General Fund	\$ 313,680	\$ 309,542	\$ 318,140	\$ 320,317	\$ 317,753	\$ 291,067	\$ 287,303			
Other Governmental Funds (Per GASB 54):										
Non-Spendable	\$ 526,968	\$ 512,525	\$ 501,093	\$ 493,227	\$ 717,108	\$ 706,054	\$ 683,786			
Restricted	1,033,158	893,833	949,713	918,910	551,014	460,450	493,638			
Committed	38,940	43,652	51,119	46,766	43,993	38,930	36,844			
Assigned	29,404	27,022	27,633	34,339	49,758	43,815	34,684			
Unassigned	(5,742)	(5,048)	(3,624)	(5,040)	(1,462)	(2,931)	(18,859)			
Total Other Governmental Funds	\$ 1,622,728	\$ 1,471,984	\$ 1,525,934	\$ 1,488,202	\$ 1,360,411	\$ 1,246,318	\$ 1,230,093			
General Fund (Prior to GASB 54):										
Reserved							\$ 21,104	\$ 21,215	\$ 31,139	
Unreserved							133,962	131,363	138,883	
Total General Fund							\$ 155,066	\$ 152,578	\$ 170,022	
Other Governmental Funds (Prior to GASB 54):										
Reserved							\$ 873,931	\$ 872,653	\$ 886,761	
Unreserved, Reported in:										
Special Revenue Funds							332,270	232,200	342,384	
Capital Projects Funds							148	2,484	2,460	
Total Other Governmental Funds							\$ 1,206,349	\$ 1,107,337	\$ 1,231,605	

Note: The State of South Dakota implemented GASB Statement 54 in Fiscal Year 2011, which significantly changed the fund balance classifications. Fiscal Year 2017 fund balance classifications are not comparable to classifications to years prior to 2011.

Source: South Dakota Comprehensive Annual Financial Reports (FY 2008-2017).

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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Taxes										
Sales & Use	\$ 990,332	\$ 905,203	\$ 876,138	\$ 857,559	\$ 802,700	\$ 779,002	\$ 741,455	\$ 663,146	\$ 675,652	\$ 668,123
Insurance Company	83,952	83,291	80,133	73,876	70,740	66,679	61,799	62,499	61,669	60,930
Liquor	15,994	17,580	16,356	15,988	15,835	14,519	14,953	14,247	14,782	13,044
Cigarette	52,149	52,081	52,776	51,616	51,940	50,704	46,700	62,918	56,607	57,160
Bank Franchise	32,800	25,412	20,669	23,943	49,493	32,941	16,954	16,674	55,260	62,036
Contractor's Excise	106,845	104,938	102,246	93,746	94,967	90,636	66,518	85,973	71,533	79,137
Severance	10,154	8,260	7,508	9,286	9,141	15,153	9,748	9,229	7,972	6,847
Other Tobacco	8,226	8,882	7,995	8,131	6,562	6,495	6,075	4,912	6,273	5,368
Motor Fuel & Vehicle	294,918	293,045	240,382	215,203	212,521	206,259	192,198	184,953	179,125	187,654
Other	90,251	81,993	78,434	73,688	72,018	68,807	65,482	62,584	59,190	59,005
Licenses, Permits & Fees	301,216	302,156	281,742	267,628	252,420	225,803	202,449	197,006	180,337	175,989
Fines, Forfeits & Penalties	14,400	12,647	14,516	10,781	16,189	13,490	12,142	11,306	11,327	11,141
Use of Money & Property	123,183	27,578	59,865	157,633	153,479	42,881	162,577	123,020	(77,407)	(2,123)
Sales & Services	44,916	39,797	42,531	39,712	37,679	34,290	32,499	32,659	35,114	33,885
Admin. Programs	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	1,222,191
Tobacco Settlement	24,302	24,582	23,421	26,561	24,128	24,135	23,673	25,175	29,986	27,616
Other Revenue	80,380	87,874	77,614	129,147	65,272	42,676	40,008	33,437	27,858	26,215
Total Revenues	3,820,982	3,539,349	3,485,688	3,621,525	3,508,410	3,372,072	3,515,435	3,335,297	2,829,942	2,694,218
Expenditures										
General Government	94,658	99,874	87,785	87,409	74,394	73,714	70,493	71,532	76,533	76,431
Education	977,833	859,072	804,348	835,894	782,276	778,707	832,936	816,454	787,670	743,024
Health, Human & Social Services	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	1,124,311
Law, Justice, Public Protection & Regulation	283,053	268,818	281,688	320,080	280,691	303,237	311,583	263,499	240,601	231,559
Agriculture & Natural Resources	173,111	155,006	143,466	148,596	139,861	138,598	155,064	132,683	125,640	123,257
Economic Resources	52,432	56,202	74,182	40,062	43,108	40,553	50,986	52,872	44,940	46,893
Transportation	600,346	655,752	554,536	582,939	604,048	625,661	576,777	495,796	448,159	400,200
State Shared Revenue	176,836	173,721	169,514	161,564	141,514	122,320	100,493	103,425	99,064	103,633
Capital Outlay	1,023	1,017	2,038	2,541	387	4,773	4,381	2,336	2,172	4,622
Debt Service:										
Principal	15,583	16,415	17,272	20,973	30,059	25,622	22,225	22,958	26,951	24,582
Interest	8,647	9,177	9,261	10,206	13,896	16,219	17,504	18,550	20,174	21,542
Bond Issuance Costs	322	6	346	83	1,817					
Payment to Refunded Bond Escrow Agent				16,924	8,016					
Total Expenditures	3,870,912	3,723,319	3,580,286	3,615,092	3,485,000	3,480,504	3,492,844	3,344,951	3,093,925	2,900,054
Excess of Revenues Over (Under) Expenditures	(49,930)	(183,970)	(94,598)	6,433	23,410	(108,432)	22,591	(9,654)	(263,983)	(205,836)
Other Financing Sources (Uses):										
Capital Leases	32,048		1,125	20,350	12,605	23,770	19,465			
Insurance Proceeds	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			
Proceeds from Sale of Capital Assets	2,253	2,136	2,099	4,459	5,154	6,096	1,588	4,963	3,296	2,757
Payments on Advance Refundings	(1,488)		(11,379)		(176,854)		(741)			
Transfers In	261,279	274,598	271,301	262,172	254,094	270,315	237,968	413,897	383,285	436,670
Transfers Out	(142,563)	(155,397)	(158,782)	(167,866)	(150,699)	(171,982)	(135,374)	(294,699)	(265,348)	(311,538)
Net Other Financing Sources (Uses)	203,698	121,422	130,153	123,639	122,971	128,421	133,390	124,970	123,452	127,889
Net Change in Fund Balances	\$ 153,768	\$ (62,548)	\$ 35,555	\$ 130,072	\$ 146,381	\$ 19,989	\$ 155,981	\$ 115,316	\$ (140,531)	\$ (77,947)
Debt Service as a Percentage of Noncapital Expenditures	0.69%	0.73%	0.79%	1.42%	1.63%	1.31%	1.21%	1.32%	1.60%	1.69%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2008-2017). 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 2017				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,237	3.64%	\$ 348,540	1.68%
Mining	213	0.24%	63,973	0.31%
Construction	515	0.58%	31,077	0.15%
Manufacturing	4,370	4.91%	958,294	4.61%
Transportation and Public Utilities	2,546	2.86%	2,833,338	13.63%
Wholesale Trade	7,168	8.06%	1,438,813	6.92%
Retail Trade	35,687	40.10%	10,789,651	51.89%
Finance, Insurance, and Real Estate	2,122	2.38%	451,550	2.17%
Services	33,076	37.17%	3,873,304	18.63%
Public Administration	59	0.07%	3,920	0.02%
Nonclassifiable Establishments		0.00%		0.00%
Total	88,993	100.00%	\$ 20,792,460	100.00%

Fiscal Year 2014				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,411	4.04%	\$ 287,680	1.44%
Mining	237	0.28%	118,587	0.59%
Construction	525	0.62%	31,241	0.16%
Manufacturing	3,820	4.53%	902,791	4.52%
Transportation and Public Utilities	2,728	3.23%	2,769,521	13.86%
Wholesale Trade	6,908	8.19%	1,514,416	7.58%
Retail Trade	31,494	37.33%	10,571,228	52.91%
Finance, Insurance, and Real Estate	2,172	2.58%	384,474	1.92%
Services	33,007	39.13%	3,396,424	17.00%
Public Administration	56	0.07%	2,029	0.01%
Nonclassifiable Establishments		0.00%		0.00%
Total	84,358	100.00%	\$ 19,978,391	100.00%

Fiscal Year 2011				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	3,165	3.99%	\$ 224,548	1.27%
Mining	223	0.28%	95,566	0.54%
Construction	447	0.56%	19,479	0.11%
Manufacturing	3,306	4.17%	944,070	5.33%
Transportation and Public Utilities	3,297	4.16%	2,920,135	16.49%
Wholesale Trade	6,741	8.50%	1,300,644	7.35%
Retail Trade	29,017	36.59%	8,930,620	50.43%
Finance, Insurance, and Real Estate	2,121	2.67%	291,692	1.65%
Services	30,934	39.01%	2,980,187	16.83%
Public Administration	55	0.07%	2,082	0.01%
Nonclassifiable Establishments		0.00%		0.00%
Total	79,306	100.00%	\$ 17,709,023	100.00%

Fiscal Year 2008				
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,856	3.84%	\$ 199,715	1.24%
Mining	185	0.25%	87,996	0.54%
Construction	514	0.69%	34,042	0.21%
Manufacturing	2,882	3.87%	658,846	4.07%
Transportation and Public Utilities	3,137	4.22%	2,324,638	14.37%
Wholesale Trade	5,780	7.77%	1,253,201	7.75%
Retail Trade	28,216	37.92%	8,572,397	53.00%
Finance, Insurance, and Real Estate	1,994	2.68%	320,208	1.98%
Services	28,817	38.72%	2,721,315	16.83%
Public Administration	33	0.04%	1,456	0.01%
Nonclassifiable Establishments	4	0.01%	36	0.00%
Total	74,418	100.00%	\$ 16,173,850	100.00%

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%
84,968	100.00%	\$ 21,147,803	100.00%

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%
82,894	100.00%	\$ 18,886,266	100.00%

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%
74,975	100.00%	\$ 16,220,082	100.00%

Fiscal Year 2015			
Number of Filers	Percent of Total	Taxable sales	Percent of Total
3,162	3.76%	\$ 297,936	1.45%
231	0.28%	105,773	0.51%
527	0.63%	27,123	0.13%
3,939	4.69%	873,909	4.24%
2,697	3.21%	2,765,194	13.42%
6,940	8.26%	1,617,613	7.85%
31,642	37.65%	10,864,164	52.74%
2,136	2.54%	394,780	1.92%
32,706	38.92%	3,650,026	17.72%
56	0.07%	2,390	0.01%
	0.00%		0.00%
84,036	100.00%	\$ 20,598,908	100.00%

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

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

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 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 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				
	2017	2016	2015	2014	2013
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 348,540	\$ 338,993	\$ 297,936	\$ 287,680	\$ 253,605
Mining	63,973	71,002	105,773	118,587	102,408
Construction	31,077	26,495	27,123	31,241	25,832
Manufacturing	958,294	917,873	873,909	902,791	778,735
Transportation and Public Utilities	2,833,338	2,767,864	2,765,194	2,769,521	2,556,524
Wholesale Trade	1,438,813	1,618,465	1,617,613	1,514,416	1,403,736
Retail Trade	10,789,651	11,137,027	10,864,164	10,571,228	10,162,245
Finance, Insurance, and Real Estate	451,550	432,211	394,780	384,474	367,556
Services	3,873,304	3,835,074	3,650,026	3,396,424	3,231,543
Public Administration	3,920	2,799	2,390	2,029	4,082
Nonclassifiable Establishments					
Totals	\$ 20,792,460	\$ 21,147,803	\$ 20,598,908	\$ 19,978,391	\$ 18,886,266
Direct Sales Tax Rate	4.50%	4.50%	4.00%	4.00%	4.00%

	Fiscal Year				
	2012	2011	2010	2009	2008
Taxable Sales by Industry					
Agriculture, Forestry, and Fishing	\$ 241,819	\$ 224,548	\$ 206,139	\$ 206,927	\$ 199,715
Mining	112,925	95,566	62,308	106,421	87,996
Construction	23,842	19,479	20,345	38,652	34,042
Manufacturing	788,163	944,070	592,309	642,782	658,846
Transportation and Public Utilities	2,422,870	2,920,135	2,536,794	2,464,786	2,324,638
Wholesale Trade	1,460,278	1,300,644	1,131,812	1,262,986	1,253,201
Retail Trade	9,764,051	8,930,620	8,588,168	8,654,677	8,572,397
Finance, Insurance, and Real Estate	308,237	291,692	307,204	301,474	320,208
Services	3,090,080	2,980,187	2,773,413	2,784,114	2,721,315
Public Administration	1,799	2,082	1,584	1,629	1,456
Nonclassifiable Establishments			6	8	36
Totals	\$ 18,214,064	\$ 17,709,023	\$ 16,220,082	\$ 16,464,456	\$ 16,173,850
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 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				
	2017	2016	2015	2014	2013
Governmental Activities:					
Revenue Bonds	\$ 192,360	\$ 157,847	\$ 174,764	\$ 177,303	\$ 191,295
Trust Certificates		280	570	880	13,595
Capital Leases	145,681	116,289	116,352	100,727	78,682
Total Governmental Activities	338,041	274,416	291,686	278,910	283,572
Business-type Activities:					
Revenue Bonds	230,912	247,852	263,818	207,448	212,523
Total Business-type Activities	230,912	247,852	263,818	207,448	212,523
Total Primary Government	\$ 568,953	\$ 522,268	\$ 555,504	\$ 486,358	\$ 496,095
South Dakota Total Personal Income (r)	\$ 41,896,273	\$ 41,398,241	\$ 40,892,772	\$ 39,150,683	\$ 37,709,126
Debt as a Percentage of Personal Income	1.4%	1.3%	1.4%	1.2%	1.3%
South Dakota Population (in thousands)(r)	872	865	858	853	845
Long-Term Debt per Capita	\$ 652.47	\$ 603.78	\$ 647.44	\$ 570.17	\$ 587.09

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental Activities:					
Revenue Bonds	\$ 227,586	\$ 250,376	\$ 260,168	\$ 280,501	\$ 302,663
Trust Certificates	16,490	19,250	21,895	24,435	26,870
Capital Leases	64,279	40,187	25,480	29,632	30,971
Total Governmental Activities	308,355	309,813	307,543	334,568	360,504
Business-type Activities:					
Revenue Bonds	222,705	174,218	126,510	131,097	135,525
Total Business-type Activities	222,705	174,218	126,510	131,097	135,525
Total Primary Government	\$ 531,060	\$ 484,031	\$ 434,053	\$ 465,665	\$ 496,029
South Dakota Total Personal Income (r)	\$ 37,583,819	\$ 36,791,498	\$ 33,520,714	\$ 31,898,690	\$ 33,012,790
Debt as a Percentage of Personal Income	1.4%	1.3%	1.3%	1.5%	1.5%
South Dakota Population (in thousands)(r)	834	824	816	807	799
Long-Term Debt per Capita	\$ 636.00	\$ 587.42	\$ 531.93	\$ 577.03	\$ 620.81

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2008-2017)
Total Personal Income and Population data: US Bureau of Economic Analysis

- Note:**
- (a) South Dakota Total Personal Income figure for 2017 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 2008 - 2016 has been revised.
Data for South Dakota Population has been revised for fiscal years 2008 through 2016.

State of South Dakota
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars Expressed in Thousands)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue Bonds and Trust Certificates										
- Building Authority										
Revenue - lease payments	\$ 8,071	\$ 8,607	\$ 8,898	\$ 12,654	\$ 13,569	\$ 14,646	\$ 15,052	\$ 15,276	\$ 15,940	\$ 17,003
Less: Operating expenses										
Net available revenue	<u>\$ 8,071</u>	<u>\$ 8,607</u>	<u>\$ 8,898</u>	<u>\$ 12,654</u>	<u>\$ 13,569</u>	<u>\$ 14,646</u>	<u>\$ 15,052</u>	<u>\$ 15,276</u>	<u>\$ 15,940</u>	<u>\$ 17,003</u>
Debt service										
Principal (r)	\$ 3,648	\$ 2,321	\$ 4,047	\$ 6,978	\$ 10,713	\$ 11,243	\$ 11,240	\$ 11,218	\$ 11,196	\$ 11,791
Interest (r)	4,388	6,283	4,377	5,478	2,559	3,355	3,731	3,989	4,558	5,071
Total	<u>\$ 8,036</u>	<u>\$ 8,604</u>	<u>\$ 8,424</u>	<u>\$ 12,456</u>	<u>\$ 13,272</u>	<u>\$ 14,598</u>	<u>\$ 14,971</u>	<u>\$ 15,207</u>	<u>\$ 15,754</u>	<u>\$ 16,862</u>
Coverage	1.00	1.00	1.06	1.02	1.02	1.00	1.01	1.00	1.01	1.01
Revenue Bonds										
-Educational Enhancement Funding Corp.										
Revenue:										
Tobacco settlement	\$ 22,815	\$ 25,156	\$ 23,306	\$ 26,326	\$ 23,914	\$ 24,359	\$ 22,908	\$ 22,751	\$ 31,161	\$ 27,679
Investment Earnings	102	68	13	7	1,079	1,202	1,098	1,126	1,204	1,437
Less: Operating expenses					165	152	152	149	161	149
Net available revenue	<u>\$ 22,917</u>	<u>\$ 25,224</u>	<u>\$ 23,319</u>	<u>\$ 26,333</u>	<u>\$ 24,828</u>	<u>\$ 25,409</u>	<u>\$ 23,854</u>	<u>\$ 23,728</u>	<u>\$ 32,204</u>	<u>\$ 28,967</u>
Debt service										
Principal (r)	\$ 11,935	12,535	13,225	13,995	18,800					
Interest (r)	4,018	4,215	4,376	4,498	10,828	12,975	13,799	14,583	15,615	16,480
Total	<u>\$ 15,953</u>	<u>\$ 16,750</u>	<u>\$ 17,601</u>	<u>\$ 18,493</u>	<u>\$ 29,628</u>	<u>\$ 12,975</u>	<u>\$ 13,799</u>	<u>\$ 14,583</u>	<u>\$ 15,615</u>	<u>\$ 16,480</u>
Coverage	1.44	1.51	1.32	1.42	0.84	1.96	1.73	1.63	2.06	1.76
Revenue Bonds										
-Clean Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 28,764	\$ 28,998	\$ 26,637	\$ 25,502	\$ 24,394	\$ 29,078	\$ 43,202	\$ 16,789	\$ 16,089	\$ 14,689
Investment Income	4,181	4,192	3,900	3,988	3,402	3,494	3,259	2,722	2,600	2,258
Other Income	1,428	1,410	1,442	1,332	1,238	1,243	1,320	1,301	1,242	1,212
Less: Operating expenses	2,348	982	1,294	1,080	2,476	1,304	982	948	779	1,710
Net available revenue	<u>\$ 32,025</u>	<u>\$ 33,618</u>	<u>\$ 30,685</u>	<u>\$ 29,742</u>	<u>\$ 26,558</u>	<u>\$ 32,511</u>	<u>\$ 46,799</u>	<u>\$ 19,864</u>	<u>\$ 19,152</u>	<u>\$ 16,449</u>
Debt service										
Principal	\$ 9,875	\$ 9,290	\$ 7,580	\$ 7,415	\$ 6,110	\$ 4,320	\$ 3,665	\$ 2,820	\$ 2,730	\$ 2,635
Interest	6,821	7,088	6,663	5,361	5,578	4,063	3,188	2,872	2,562	2,477
Total	<u>\$ 16,696</u>	<u>\$ 16,378</u>	<u>\$ 14,243</u>	<u>\$ 12,776</u>	<u>\$ 11,688</u>	<u>\$ 8,383</u>	<u>\$ 6,853</u>	<u>\$ 5,692</u>	<u>\$ 5,292</u>	<u>\$ 5,112</u>
Coverage	1.92	2.05	2.15	2.33	2.27	3.88	6.83	3.49	3.62	3.22
Revenue Bonds										
-Drinking Water State Revolving Fund										
Revenue:										
Loan Repayments	\$ 17,634	\$ 23,042	\$ 25,234	\$ 19,597	\$ 19,956	\$ 34,599	\$ 31,338	\$ 13,987	\$ 12,824	\$ 10,599
Investment Income	2,930	3,104	2,639	3,148	2,558	2,351	1,987	1,681	1,780	1,641
Other Income	916	899	885	909	929	1,064	1,034	886	897	868
Less: Operating expenses	695	105	123	142	146	137	164	213	57	70
Net available revenue	<u>\$ 20,785</u>	<u>\$ 26,940</u>	<u>\$ 28,635</u>	<u>\$ 23,512</u>	<u>\$ 23,297</u>	<u>\$ 37,877</u>	<u>\$ 34,195</u>	<u>\$ 16,341</u>	<u>\$ 15,444</u>	<u>\$ 13,038</u>
Debt service										
Principal	\$ 5,925	\$ 5,535	\$ 4,475	\$ 4,380	\$ 4,050	\$ 2,845	\$ 2,495	\$ 1,815	\$ 1,745	\$ 1,685
Interest	2,116	2,255	2,276	2,155	2,284	2,676	2,517	2,281	2,223	2,142
Total	<u>\$ 8,041</u>	<u>\$ 7,790</u>	<u>\$ 6,751</u>	<u>\$ 6,535</u>	<u>\$ 6,334</u>	<u>\$ 5,521</u>	<u>\$ 5,012</u>	<u>\$ 4,096</u>	<u>\$ 3,968</u>	<u>\$ 3,827</u>
Coverage	2.58	3.46	4.24	3.60	3.68	6.86	6.82	3.99	3.89	3.41

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.
 - (f) Data for Debt Service Principal and Interest for 2016 has been revised.

POPULATION
(Expressed in Thousands)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2016	323,128	0.7%	21,185	0.4%	865	0.8%
2015r	320,897	0.7%	21,096	0.5%	858	0.6%
2014r	318,563	0.7%	20,995	0.5%	853	0.9%
2013r	316,205	0.7%	20,883	0.6%	845	1.3%
2012r	313,998	0.7%	20,760	0.6%	834	1.2%
2011r	311,663	0.7%	20,646	0.5%	824	1.0%
2010r	309,348	0.8%	20,538	0.7%	816	1.1%
2009r	306,772	0.9%	20,393	0.7%	807	1.0%
2008r	304,094	1.0%	20,249	0.7%	799	0.9%
2007r	301,231	1.0%	20,106	0.7%	792	1.1%

Note: Midyear (July 1) population estimates. Revised estimates for 2007 through 2015. 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 2017

TOTAL PERSONAL INCOME
(Dollars Expressed in Millions)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2016	\$ 15,912,777	2.3%	\$ 1,008,513	1.4%	\$ 41,398	1.2%
2015r	15,547,661	5.0%	994,109	3.2%	40,893	4.4%
2014r	14,811,388	5.3%	963,741	4.0%	39,151	3.8%
2013r	14,068,960	1.2%	926,814	1.1%	37,709	0.3%
2012r	13,904,485	5.1%	916,941	5.7%	37,584	2.2%
2011r	13,233,436	6.2%	867,752	7.3%	36,791	9.8%
2010r	12,459,613	3.1%	808,919	2.9%	33,521	5.1%
2009r	12,079,444	-3.3%	786,346	-3.1%	31,899	-3.4%
2008r	12,492,705	4.1%	811,474	6.5%	33,013	7.7%
2007r	11,995,419	5.4%	761,922	6.5%	30,659	11.2%

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 2017

UNEMPLOYMENT RATE

YEAR	SOUTH DAKOTA	UNITED STATES
2016	2.8%	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%
2007	2.8%	4.6%

Source: SD Dept. Of Labor and Regulation, Labor Market Information

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2016	\$ 49,246	1.6%	\$ 47,604	1.0%	\$ 47,834	0.4%
2015r	48,451	4.2%	47,123	2.7%	47,665	3.8%
2014r	46,494	4.5%	45,903	3.4%	45,921	2.9%
2013r	44,493	0.5%	44,380	0.5%	44,630	-0.9%
2012r	44,282	4.3%	44,170	5.1%	45,041	0.9%
2011r	42,461	5.4%	42,030	6.7%	44,628	8.7%
2010r	40,277	2.3%	39,387	2.1%	41,063	3.9%
2009r	39,376	-4.2%	38,560	-3.8%	39,524	-4.3%
2008r	41,082	3.2%	40,075	5.7%	41,311	6.7%
2007r	39,821	4.4%	37,896	5.8%	38,729	10.0%

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 2017

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

	2017p	2016r	2015r	2014r	2013	2012	2011	2010	2009	2008
Natural Resources/Mining/Construction	23.6	23.8	23.1	22.2	21.4	21.1	21.1	21.0	21.8	23.3
Manufacturing	41.3	42.0	42.6	42.3	41.5	41.2	39.2	36.9	37.7	42.7
Trade/Transportation/Utilities	88.5	88.4	87.5	85.8	83.7	83.0	81.7	80.6	80.7	82.2
<i>Wholesale Trade</i>	21.6	21.2	21.2	20.8	19.9	19.5	19.0	18.6	18.3	18.7
<i>Retail Trade</i>	53.5	53.8	52.9	51.9	51.2	51.0	50.2	49.5	49.6	50.2
<i>Trans/Warehousing/Util</i>	13.4	13.4	13.4	13.1	12.6	12.5	12.5	12.5	12.8	13.2
Information	6.0	5.8	5.9	6.0	6.0	6.2	6.4	6.5	6.7	6.9
Financial Activities	30.1	29.3	29.7	29.7	29.7	28.6	28.1	28.9	30.4	31.0
Professional/Business Svcs.	31.4	31.3	30.6	30.3	29.5	29.2	28.7	27.5	26.9	28.0
Educational/Health Services	71.0	70.4	69.1	68.3	68.0	67.1	65.3	64.5	63.2	62.0
Leisure and Hospitality	48.4	46.8	46.2	45.4	44.7	44.3	43.4	43.0	42.9	43.2
Other Services (Except Public Administration)	16.5	16.1	15.9	15.8	15.9	15.8	15.6	15.6	15.7	15.9
Government	79.6	78.7	77.8	77.8	77.3	77.5	78.0	78.7	77.8	76.2
TOTAL	436.4	432.6	428.4	423.6	417.7	414.0	407.5	403.2	403.7	411.4
% Change in Nonfarm Employment	0.9%	1.0%	1.1%	1.4%	0.9%	1.6%	1.1%	-0.1%	-1.9%	1.2%

Note: Numbers may not add due to rounding. Data not seasonally adjusted.

¹ 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	\$217.0
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

**State of South Dakota
Top Ten Employers
2017 as Compared to 2008**

2017 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	Federal Government	11,670	2.8%
2	Sanford Medical	10,848	2.6%
3	Avera Medical	10,535	2.5%
4	Sioux Falls MSA Local Government *	10,519	2.5%
5	South Dakota State Government	9,374	2.2%
6	Rapid City MSA Local Government **	6,539	1.6%
7	SD Board of Regents	6,430	1.5%
8	Walmart Associates	5,230	1.2%
9	Rapid City Regional Hospital Inc.	3,637	0.9%
10	Hy-Vee Food Store Inc.	3,596	0.9%
Total Top Ten Employers		78,378	18.6%
Total SD Employment 2017***		421,178	

* 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 2016 and first quarter of 2017

Source: Prepared by the Labor Market Information Center (LMIC), South Dakota Department of Labor and Regulation in October 2017 using second quarter 2017 employment data from the Quarterly Census Employment and Wages (QCEW).

Only employment covered by unemployment insurance is included in the QCEW program.

2008 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	Federal Government	11,615	2.9%
2	South Dakota State Government	9,300	2.3%
3	Sioux Falls MSA Local Government *	8,818	2.2%
4	Sanford Medical	7,650	1.9%
5	Avera Medical	6,736	1.7%
6	Rapid City MSA Local Government **	6,558	1.7%
7	SD Board of Regents	5,356	1.3%
8	Walmart Associates	4,821	1.2%
9	Wells Fargo	4,430	1.1%
10	Premier Bankcard Inc.	2,882	0.7%
		68,166	17.2%
Total SD Employment 2008		397,071	

* Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha, and Turner.

** Rapid City MSA includes the following counties: Custer, Meade, and Pennington.

Source: Prepared by the Labor Market Information Center (LMIC), South Dakota Department of Labor and Regulation in December 2017 using second quarter 2008 employment data from the Quarterly Census Employment and Wages (QCEW).

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				
	2017	2016	2015	2014	2013
General Government	1,020	1,018	998	983	970
Health, Human, and Social Services	2,991	2,936	3,007	2,999	3,009
Law, Justice, Public Protection, and Regulation	2,130	2,186	2,215	2,223	2,186
Agriculture and Natural Resources	948	939	943	929	941
Transportation	998	976	977	980	978
Education	180	176	178	128	130
Economic Resources	124	156	158	198	197
State Total	8,391	8,387	8,476	8,440	8,411

Function of State Government:	Fiscal Year				
	2012	2011	2010	2009	2008
General Government	967	1,003	1,020	1,019	1,000
Health, Human, and Social Services	3,004	3,040	3,121	3,064	3,051
Law, Justice, Public Protection, and Regulation	2,142	2,160	2,130	2,119	2,131
Agriculture and Natural Resources	925	938	942	918	908
Transportation	965	987	1,004	1,000	1,015
Education	132	133	135	130	134
Economic Resources	170	264	257	199	180
State Total	8,305	8,525	8,609	8,449	8,419

Source: State's Budget System RB16 - June 30, 2017

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			
	2017	2016	2015	2014
General Government				
Vehicles	2,908	2,987	2,904	2,929
Land (Acres)	760,743	760,806	760,806	760,806
Equipment	1,386	1,427	1,406	1,367
Buildings	22	23	22	19
Infrastructure	0	0	0	0
Health, Human, and Social Services				
Vehicles	7	7	7	7
Land (Acres)	710	763	799	799
Equipment	650	667	651	604
Buildings	89	89	92	93
Infrastructure	0	0	0	0
Law, Justice, Public Protection, and Regulation				
Vehicles	361	332	317	320
Land (Acres)	1,504	1,504	1,510	1,510
Equipment	1,180	1,090	1,047	940
Buildings	157	156	159	156
Infrastructure	0	0	0	0
Agriculture and Natural Resources				
Vehicles	378	389	392	373
Land (Acres)	362,876	361,821	360,938	360,323
Equipment	1,647	1,617	1,576	1,509
Buildings	96	76	73	65
Infrastructure	0	0	0	0
Transportation				
Vehicles	1,281	1,287	1,279	1,250
Land (Acres)	3,199	3,213	3,217	3,206
Land, ROW Roads	\$ 97,004,207	\$ 95,308,778	\$ 93,472,606	\$ 92,796,015
Land Improvements, Roads	\$ 527,033,832	\$ 523,392,571	\$ 520,147,538	\$ 514,620,856
Equipment	3,917	3,806	3,661	3,415
Buildings	199	193	183	175
Infrastructure				
-Roads: Lane Miles	8,850	8,861	8,862	8,850
-Bridges: Number of	1,796	1,795	1,799	1,796
-Railroads: Track Miles	530	530	530	530
Education				
Vehicles	0	0	0	0
Land (Acres)	284	284	184	77
Equipment	86	78	25	24
Buildings	34	27	27	27
Infrastructure	0	0	0	0
Economic Resources				
Vehicles	0	0	0	0
Land (Acres)	0	0	0	0
Equipment	3	3	47	49
Buildings	0	0	1	1
Infrastructure	0	0	0	0

Source: Survey conducted by BFM of the department's finance personnel and the Fixed Asset System.

Fiscal Year

2013	2012	2011	2010	2009	2008
2,862	2,852	2,949	2,743	2,683	2,879
760,804	760,828	760,828	760,828	760,828	760,832
1,388	1,406	1,296	1,275	1,291	1,416
15	17	17	16	15	13
0	0	0	0	0	0
8	8	8	7	7	12
777	710	710	710	906	901
610	590	554	539	479	510
48	47	47	46	46	46
0	0	0	0	0	0
339	324	320	312	281	314
1,484	1,387	2,066	2,067	2,313	2,313
932	826	762	682	596	607
71	74	74	76	68	67
0	0	0	0	0	0
373	377	365	340	309	326
360,137	360,039	360,039	352,128	350,245	348,552
1,490	1,457	1,357	1,292	1,208	1,173
55	52	52	53	48	48
0	0	0	0	0	0
1,183	1,206	1,268	1,241	1,149	1,607
3,294	3,498	3,618	3,747	3,891	3,875
\$ 92,689,993	\$ 89,954,671	\$ 86,389,686	\$ 84,159,719	\$ 76,597,880	\$ 73,884,865
\$ 512,129,195	\$ 512,129,195	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674	\$ 512,410,674
3,211	3,081	3,043	2,828	2,603	2,511
115	109	104	102	98	96
8,850	8,858	8,858	8,858	8,862	8,862
1,798	1,799	1,805	1,803	1,809	1,805
530	513	513	513	513	513
0	0	0	0	0	0
77	77	45	45	33	33
17	11	15	24	30	32
26	22	22	22	22	22
0	0	0	0	0	0
1	2	2	2	1	1
0	0	0	0	0	0
45	42	48	49	36	37
0	0	0	0	0	0
0	0	0	0	0	0

**State of South Dakota
Operating Indicators by Function
Last Ten Fiscal Years**

	Fiscal Year		
	2017	2016	2015
General Government			
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)	3,110	3,271	3,760
Radio Calls through Digital Network	24,549,762	29,858,306	27,888,987
Bureau of Human Resources			
Health: Employees, COBRA, Retirees/Dependents	13,264 / 13,730	13,242 / 13,418	13,328 / 13,360
Bureau of Administration			
Pieces of Mail Handled/Year	7,448,095	7,536,209	7,720,306
Total Miles Driven	38,898,000	38,344,195	38,848,323
Revenue			
Total Active Business Licenses	84,242	82,640	80,779
Vehicles Registered	1,484,111	1,519,080	1,425,379
Misc. Special Tax Licenses	6,663	6,612	5,228
Lottery			
Licensed Lottery Retailers--Instant Only	13	13	12
Licensed Lottery Retailers--On-line	632	610	608
Legislature			
Auditor General			
Audits Performed	54	54	46
Audits Reviewed (IPA reports)	351	333	326
School and Public Lands			
Apportion Common School Interest Fund and Income to School Districts (Thousands)	\$ 10,196	\$ 10,227	\$ 9,969
Apportion Endowed Income and Interest Fund to Ten Endowed Institutions (Thousands)	\$ 2,410	\$ 2,267	\$ 2,104
Secretary of State			
Business and Secured Transaction Filings	112,454	121,302	120,807
State Treasurer			
Cash Receipts (Thousands)	\$ 5,197,293	\$ 4,955,107	\$ 4,917,575
Unclaimed Property - Claims Paid	3,162	5,127	4,500
State Auditor			
Vouchers Audited	279,250	288,653	290,861
Warrants Written	257,678	270,702	298,293
Health, Human, and Social Services			
Social Services			
Medicaid Enrolled/Month	119,619	118,674	117,346
Long Term Care Services - Clients Served	3,702	3,867	3,977
Health			
Public Health Investigations	16,999	13,224	13,750
Labor			
State Labor Force	455,475	453,175	450,900
Unemployment Rate	2.90%	2.80%	3.50%
South Dakota Retirement System			
Budget Compared to Assets	0.040%	0.040%	0.040%
Budget Compared to Benefits	0.860%	0.860%	0.870%
Veterans Benefits and Services			
South Dakota Veteran Population	72,000	72,000	75,000
State Veterans' Home			
Average Daily Census	94	96	121
Human Services			
People with Developmental Disabilities Served	3,092	3,103	3,104
People with Mental Illness Served	17,169	17,194	16,653
People with Substance Abuse Issues Served	12,003	12,297	11,525
People Receiving Vocational Rehabilitation Services	5,608	5,484	5,299

Fiscal Year						
2014	2013	2012	2011	2010	2009	2008
Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual	Annual Annual
3,735	3,656	2,056	2,456	1,528	1,480	736
26,319,746	26,968,003	26,052,239	24,122,503	22,188,596	21,468,474	21,885,767
13,413 / 13,426	13,296 / 13,305	13,234 / 13,008	13,372 / 12,488	13,427 / 11,876	13,316 / 11,568	13,171 / 11,696
7,719,049	8,047,767	8,631,113	8,991,825	9,274,640	9,687,084	9,909,143
38,241,658	38,739,712	38,755,956	37,663,512	37,506,764	37,136,509	38,788,928
80,236	81,047	80,130	78,399	78,919	76,367	73,456
1,258,147	1,402,128	1,081,516	1,156,109	1,137,621	1,113,254	1,168,616
5,372	5,430	5,333	5,332	5,346	5,298	5,580
12	12	12	13	14	129	620
600	597	591	584	579	480	476
56	49	73	59	58	59	56
322	338	327	356	349	286	285
\$ 8,774	\$ 7,422	\$ 7,433	\$ 8,274	\$ 8,672	\$ 10,997	\$ 8,771
\$ 1,500	\$ 1,991	\$ 1,957	\$ 1,629	\$ 1,905	\$ 1,990	\$ 1,967
151,658	100,492	92,608	90,291	91,288	97,572	100,959
\$ 4,883,829	\$ 4,621,725	\$ 4,667,076	\$ 4,435,684	\$ 4,196,085	\$ 3,812,475	\$ 3,843,830
10,024	3,973	2,992	4,619	7,390	6,113	6,505
297,649	289,083	291,219	293,522	288,997	283,596	287,358
306,344	318,863	400,307	433,121	451,581	473,409	507,447
115,328	116,128	115,731	114,405	111,005	104,520	102,310
4,051	4,053	4,138	4,276	4,346	4,347	4,359
13,875	12,618	10,386	10,379	15,292	12,365	13,014
450,660	446,990	444,805	444,980	442,940	447,275	443,765
3.70%	4.30%	4.50%	4.90%	5.00%	4.10%	2.80%
0.040%	0.040%	0.042%	0.053%	0.057%	0.063%	0.045%
0.890%	0.870%	0.900%	1.120%	1.140%	1.180%	1.110%
75,000	75,000	72,000	72,000	72,400	73,500	74,273
113	118	130	129	132	129	124
3,078	3,032	2,970	2,899	2,837	2,814	2,776
16,142	16,110	15,572	14,915	13,998	13,261	12,901
11,579	12,305	14,307	14,893	15,131	15,338	15,146
5,798	6,166	6,477	6,224	5,710	5,606	5,714

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

	Fiscal Year		
	2017	2016	2015
Law, Justice, Public Protection, and Regulation			
Corrections			
Adult System ADP (Average Daily Population)	3,844	3,613	3,610
Avg. Daily Population on Supervision	2,480	2,345	2,315
Juvenile Institutional and Placement ADP	316	482	650
Unified Judicial System			
Felony Offenses Filings/Pending	11,512 / N/A	10,800 / N/A	10,392 / N/A
Class One Misdemeanor Filings/Pending	21,884 / N/A	22,055 / N/A	20,979 / N/A
Class Two Misdemeanor Filings/Pending	114,231 / N/A	114,445 / N/A	112,323 / N/A
Attorney General			
New Cases Opened/Closed/Pending (Thousands)	1.0 / 2.0 / 2.0	2.1 / 1.8 / 2.1	1.9 / 2.0 / 1.9
Investigations Conducted by DCI	963	1,063	1,062
Public Safety			
Patrol of Public Highways (Percentage)	55%	59%	54%
Patrol of Public Highways (Hours)	N/A	N/A	N/A
Driver Licenses Issued	196,780	203,012	198,279
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,163	3,130	3,165
Assigned Strength of the Air Guard	1,037	1,040	1,050
Appraiser Program			
New / Renewed Licenses	19 / 378	36 / 410	11 / 380
Revenue Financial Services			
Banking Institutions Examined	N/A	N/A	N/A
Dealer, Broker & Investment Advisor			
Agents Licensed	96,156	96,262	91,545
Renewed & Issued Insurance			
Appointments/Licenses	326,870	295,526	282,241
Revenue Boards and Commissions			
New & Renewed Licenses Issued	6,688	7,161	6,708
Public Utilities Commission			
Dockets Opened	152	154	193
Agriculture and Natural Resources			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	748 / 74,228	614 / 17,359	642 / 53,145
Dairy Inspections	635	604	500
Marketing Consultations	N/A	N/A	N/A
Insect & Disease Individual Assists	317	305	279
Game, Fish and Parks			
Total Park Visitations	7,729,787	7,509,840	7,605,595
Acres of Walk-In Areas	1,331,000	1,392,000	1,389,734
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (Added Water Quality Grants in FY05 & FY06)	121.6 M / 91	77.5 M / 106	118.3 M / 113
Total Number of Regulated Facilities	29,108	29,186	28,359
Petroleum Release Compensation			
Petroleum Release Cases Initiated	42	55	60
Abandoned Tank Site Cases Initiated	45	57	62
Transportation			
Transportation			
Percent of Non-interstate State Highway System Main Lane Pavement Mileage Rated Good or Better on Condition Index			
	83	82	90
Percent of Interstate Pavement in Excellent Condition Based on Condition Index			
	50	45	53
Education			
Student K-12 Public School Fall Enrollment	132,520	130,936	129,772
Economic Resources			
Tourism and State Development			
Capital Investment Reported (Millions)	\$ 257.2	\$ 400.0	\$ 475.0
New Jobs Created (Calendar Year)	163	3,000	3,300
Tourism's Impact on South Dakota Economy (Billions)	\$ 2.46	\$ 2.36	\$ 1.99

Source: State's Budget System and/or survey of department finance personnel.
N/A= Not Applicable

		Fiscal Year						
		2014	2013	2012	2011	2010	2009	2008
		3,645	3,637	3,565	3,479	3,490	3,428	3,373
		2,297	2,473	2,418	2,452	2,385	2,311	2,379
		649	688	526	459	446	497	461
		9413 / N/A	6856 / N/A	7225 / N/A	6,456 / N/A	6,126 / N/A	5,745 / 7,249	5,797 / 7,104
		20,518 / N/A	22,720 / N/A	21,690 / N/A	19,929 / N/A	20,141 / N/A	21,896 / 23,039	22,611 / 22,924
		105,213 / N/A	111,461 / N/A	117,594 / N/A	112,853 / N/A	124,965 / N/A	134,617 / 44,143	139,262 / 46,389
		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	1.1 / .9 / 2.0
		1,077	1,013	1,012	902	867	772	759
		60%	45%	46%	45%	N/A	N/A	N/A
		N/A	N/A	N/A	131,508	130,700	130,503	124,763
		156,731	198,733	201,766	198,871	176,153	150,056	195,900
		3,204	3,220	3,266	3,420	3,441	3,391	3,368
		1,044	1,030	1,038	1,057	1,103	1,108	1,012
		10 / 368	20 / 399	15 / 383	11 / 381	18 / 354	17 / 372	22 / 354
		542	534	563	562	538	538	553
		86,131	81,567	79,886	77,038	62,262	61,995	63,004
		269,568	286,078	243,465	270,412	269,361	254,327	223,240
		7,102	7,137	7,517	6,853	8,191	7,425	8,387
		240	265	238	143	178	199	227
		451 / 11,421	1,253 / 148,604	1,267 / 123,484	468 / 7,100	398 / 10,335	337 / 5,803	595 / 55,731
		520	713	831	956	1,078	1,444	1,300
		N/A	390	375	375	385	360	396
		288	491	354	307	333	400	500
		8,115,000	8,091,937	7,682,751	7,469,331	7,785,508	7,638,828	7,371,201
		1,270,000	1,277,000	1,271,743	1,300,000	1,250,000	1,201,430	1,152,653
		78.9M / 95	88.8M / 108	96.4M / 129	119.1M / 155	80.6M / 109	100M / 129	99.3M / 113
		28,740	27,820	27,331	26,679	26,365	26,328	25,677
		45	120	95	62	64	70	45
		100	81	45	36	45	53	33
		89	88	93	88	85	84	83
		46	45	53	33	31	45	40
		128,924	127,169	125,152	123,629	122,055	121,015	121,089
		\$ 300.0	\$ 400.0	\$ 282.0	\$ 118.0	\$ 217.0	\$ 401.8	\$ 736.1
		4,000	3,000	4,248	4,462	3,298	3,952	4,083
		\$ 1.98	\$ 1.95	\$ 1.86	\$ 1.76	\$ 2.42	\$ 2.74	\$ 2.42



