South Dakota

SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

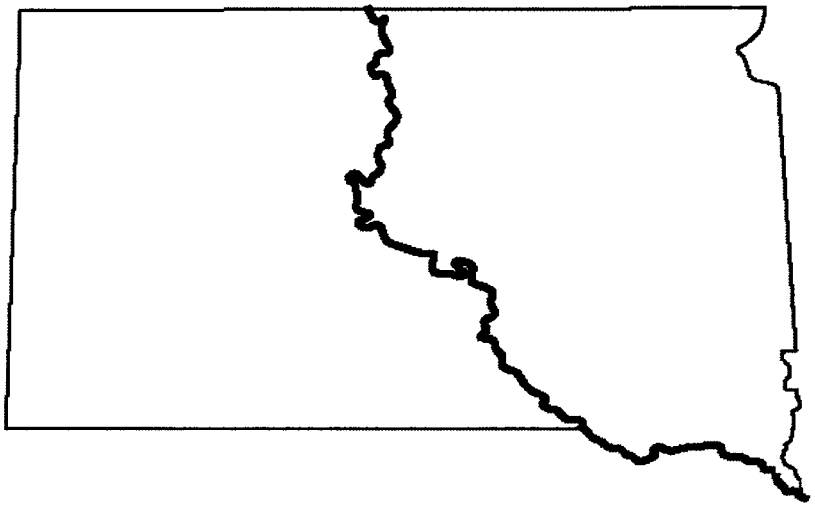
JASON C. DILGES, COMMISSIONER
BUREAU OF FINANCE AND MANAGEMENT

MARTIN L. GUINDON, AUDITOR GENERAL
DEPARTMENT OF LEGISLATIVE AUDIT

STATE OF SOUTH DAKOTA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008



M. MICHAEL ROUNDS, GOVERNOR
DENNIS DAUGAARD, LT. GOVERNOR

JASON C. DILGES, COMMISSIONER
BUREAU OF FINANCE AND MANAGEMENT

MARTIN L. GUINDON, AUDITOR GENERAL
DEPARTMENT OF LEGISLATIVE AUDIT

To the Citizens of the State of South Dakota
The Honorable M. Michael Rounds, Governor

and

Members of the South Dakota Legislature

We submit to you herein, the *Single Audit Report of the State of South Dakota* for the fiscal year ended June 30, 2008. This report includes the financial statements for the state of South Dakota as of June 30, 2008 and for the year then ended. The report also presents the results of audit of the state's compliance with state and federal laws and regulations.

In submitting this report, we would like to express our appreciation to the staffs of the Bureau of Finance and Management and the Department of Legislative Audit for their efforts in completing this report. We also thank the many people in the various departments and agencies of state government that assisted by providing information necessary for completing the report.

Jason C. Dilges, Commissioner
Bureau of Finance and Management

Martin L. Guindon, Auditor General
Department of Legislative Audit

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INTRODUCTORY SECTION

DEPARTMENT OF EXECUTIVE MANAGEMENT
BUREAU OF FINANCE AND MANAGEMENT

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

MEMBERS OF THE SOUTH DAKOTA LEGISLATURE

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operation of the State of South Dakota (herein after referred to as the State) for the fiscal year ended June 30, 2008.

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

The CAFR is presented in three sections: *Introductory, Financial,* and *Statistical*. The *Introductory Section,* which provides information on the general contents of the report, contains this letter of transmittal, a list of principal State officials, fiscal year 2008 functions of State government, and an organizational chart of State government. The *Financial Section* includes the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A) that provides an introduction, overview, and analysis to the "Basic Financial Statements"; the Basic Financial Statements that present the government-wide financial statements, fund financial statements, notes to the Basic Financial Statements; Required Supplementary Information that includes budgetary comparison schedules; and, Other Supplemental Information that includes combining financial statements and schedules for individual funds. The *Statistical Section* includes financial trends, revenue capacity, debt capacity, demographic, economic, and operating information.

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

Independent Auditors. The South Dakota Department of Legislative Audit, a division of the legislative branch of State government, performs the audit of *South Dakota's Comprehensive Annual Financial Report*. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS) issued by the Comptroller General of the United States. The Independent Auditor's Report (issued by the Department of Legislative Audit) includes an expression of opinion on the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended.

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

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

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

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

Total investment income for all funds invested by the Investment Council was a negative $702.4 million for fiscal year 2008. Income for the most recent five years totaled $3.5 billion and, since inception, has exceeded $9.2 billion. The Investment Council has grown from $133.0 million in assets under management at the end of its first year to $9.15 billion at June 30, 2008.

Investment Council management of the Cash Flow Fund portfolio resulted in earnings this year of $56.1 million, a yield of 4.96%. The Cash Flow Portfolio has earned taxpayers $903.8 million over the past 36 years.

The South Dakota Retirement System's assets have returned 11% for the past 35 years (since inception of the Council's management responsibilities for SDRS). This performance has placed the Council in the top first percentile against other state pension funds.

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

Lottery. The South Dakota Lottery Fund was created during the 1987 legislative session to market instant scratch games. Video lottery was authorized during the 1989 legislative session and operations commenced in October 1989. Legislative approval to participate in a multi-state lotto game was given during the 1990 legislative session. That same year, the State joined the Multi-State Lottery Association (MUSL), a consortium of 32 lottery jurisdictions that currently offer the Powerball game. The purpose of the lottery is to provide additional monies to fund vital public programs and projects, and as of June 30, 2008, $1.69 billion has been generated to fund many public programs and projects. Lottery provided $123.7 million income (before transfers) during fiscal year 2008.

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

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

The unfunded actuarial accrued liability as a percent of covered payroll went from 15.7% in 1993 to 14.8% in 2008. The funding ratio increased from 92.3% in 1993 to 97.2% in 2008. The funding ratio is the ratio of the actuarial value of the assets of the system to the actuarial accrued liabilities of the system as of the date of calculation.

Plan assets at fair value in 2008 were $7.3 billion compared to plan assets in 1993 of $2.1 billion.

The assets of the system are valued at their fair value. The system is in full compliance with the standards of the Governmental Accounting Standards Board and has received the Government Finance Officers Association's

(GFOA) Certificate of Achievement for Excellence in Financial Reporting for the last thirteen years. The system is subject to an annual actuarial valuation and annual audit performed by an independent audit firm.

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

Employment growth is an important indicator of a state's economic health. In terms of nonfarm employment growth, the South Dakota economy has performed better than the national economy for the past several years. Nonfarm employment growth in South Dakota has averaged 1.8% since 2005 with growth rates of 2.2% in 2006, 2.0% in 2007 and 1.2% in 2008. U.S. nonfarm employment growth has averaged 0.8% since 2004, with growth rates of 1.8% in 2006,1.1% in 2007 and -0.4% in 2008. In terms of employment, the US recession caused job losses on an annual basis in 2008 for the U.S. economy, while South Dakota managed to add jobs on an annual basis over the same time period.

In fiscal year 2008 (July 2007 – June 2008), nonfarm employment in South Dakota grew 1.7% compared to the national growth rate of 0.6% over the same time period. This was the seventh straight fiscal year that the South Dakota job market performed better than the U.S. Sectors that experienced strong growth in fiscal year 2008 in South Dakota were professional and business services (5.1%); education and health services (3.2%); mining, logging and construction (3.1%); and financial activities (3.0%).

The unemployment rate in South Dakota continues to remain one of the lowest in the nation. In June of 2008, the State's unemployment rate was 2.9%, while the U.S. unemployment rate was 5.6%.

Income growth is another important indicator of a state's economic health. In 2008, South Dakota ranked 7th in the nation in terms of its personal income growth and in its per capita personal income growth. South Dakota's personal income grew 5.6% from 2007-2008 which was higher than the national growth rate of 3.9% and was the third highest in the seven state Plains Region. The other Plains Region states of Iowa, Kansas, Minnesota, Missouri, Nebraska, and North Dakota experienced income growth rates of 5.7%, 4.9%, 4.8%, 4.3%, 4.5%, and 9.6%, respectively, over the same time period.

In addition to employment and income, one sector that has been a cornerstone for South Dakota's economy is agriculture. Both 2007 and 2008 were strong years for crop production in South Dakota which helped the State withstand the current U.S. economic recession. The value of all principal crops grown in South Dakota in 2008 totaled $5.54 billion, which was up 3% from the $5.38 billion value of 2007 crops. This increase in value is due to record wheat production along with higher prices for most crops in 2008.

The long term outlook for South Dakota's economy is optimistic although a U.S. recession has recently impacted the growth of South Dakota's economy. Currently in fiscal year 2009 (July 2008 – March 2009), nonfarm employment levels have declined by 3,800 jobs or 0.9%. However, the U.S. economy has lost 4.3 million jobs over the same time period or a decline of 3.2% in comparison. South Dakota's economy is expected to perform better than the U.S. economy during and after the current economic recession. South Dakota continues to be a business friendly state with one of the lowest state per capita taxes in the U.S. This, coupled with a healthy farm economy, will help South Dakota's economy emerge from the current national recession stronger than before.

MAJOR INITIATIVES

High Speed Research, Education, and Economic Development (REED) Network. This network gives South Dakota cutting edge research capabilities that include the Sanford Underground Science and Engineering Laboratory and medical, financial, and weather fields. The network has plenty of capacity for state government, higher education, and the private sector should they choose to purchase capacity. Private sector researchers can benefit from many research services, as connectivity will be possible from the private sector to the university researchers. The Great Plains Education Foundation donated $8.0 million and the state committed an additional $3.7 million to establish the network. The ongoing annual cost to support the network is $2.1 million.

Science and Lab Facilities Upgrade. Outdated science facilities and laboratories on public university campuses must be upgraded to support South Dakota's research initiative and to provide contemporary space for teaching. House Bill 1085 in the 2008 legislative session authorized $74.5 million to be bonded through the South Dakota Building Authority for 25 years to finance these improvements.

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

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

- Dakota Roots is recruiting individuals to South Dakota by connecting them to career opportunities with the state's leading businesses. Companies interested in relocating or expanding also can receive assistance.
- Live Dakota is retaining current South Dakotans by educating them about the rewarding career opportunities in-state and the ability to get on the career fast track.
- Grow Dakota is preparing students for tomorrow's workforce through the Department of Education, the State's four technical institutes, the Department of Labor, and the Board of Regents.
- Dakota Seeds is matching businesses to potential future employees through internships and assistantships.
- Build Dakota is developing solutions to immediate, intermediate and long-term workforce challenges facing industries statewide.

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

The State has made great strides in accomplishing the goals set forth in the State's 2010 Initiative. Despite the current U.S. economic recession, the State remains ahead of the national average with a 2.8% increase in visitor spending and continues to make progress towards the first goal of doubling visitor spending by 2010. The second goal – to increase the State's gross domestic product by state by $10 billion - was reached two years early. Since meeting that goal South Dakota has posted another five percent increase, giving the State an additional $3 billion in gross domestic product by state.

The State has also made great strides in accomplishing the third goal - to make South Dakota a leader in research and technology. In addition to the medical advances occurring at Sanford and Avera medical centers, the State gained international recognition when it was selected as the preferred site of the next Deep Underground Science and Engineering Laboratory.

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

2010 Research Centers. The 2004 Legislature appropriated $3,715,861 in ongoing funding in response to the Governor's 2010 Research Initiative. Approximately $2.7 million of the annual appropriation provided seed funding for four highly focused, nationally competitive research centers within the Regental system in collaboration with private sector partners. The Centers are focused on commercialization in addition to becoming self-sustaining through the acquisition of grant and other external funding. The additional funds were used to establish a Board of Regents System Research Office, a Department of Tourism and State Development Commercialization Office, and to provide a $600,000 EPSCoR grant cost share. The research centers that were funded from FY2005 through FY2010 are:

- **Center for Infectious Disease Research and Vaccinology, South Dakota State University Department of Veterinary Science in collaboration with the University of South Dakota School of Medicine** - This center fosters research leading to the development of novel therapeutic and diagnostic technologies and products for infectious diseases in humans and domestic animals;

- **South Dakota Signal Transduction Center, University of South Dakota Sanford Research Institute** – Cardiovascular disease and cancer are the most frequent causes of death in modern society. The center examines the pathways that regulate cell growth and differentiation, cell death, response to stress, and the maintenance of constant physiological conditions;

- **Center for Accelerated Applications at the Nanoscale, South Dakota School of Mines and Technology Department of Materials and Metallurgical Engineering in collaboration with South Dakota State University** – This center focuses on research in the areas of nanoparticles and associated nanosensors, with particular emphasis on South Dakota mineral development.

- **Center for the Research and Development of Light-Activated Materials, University of South Dakota Department of Chemistry in collaboration with South Dakota State University, Department of Chemistry, University of South Dakota School of Medicine and Avera Research Institute** – This center performs both basic and developmental research on materials with light-activated properties. This research is important to medical applications such as human tissue bonding, drug delivery, and anti-tumor agents, and is important to developing phosphors for sensors, new laser materials, and thin films that impart special properties and characteristics to the materials they coat.

In fiscal year 2006, the state legislature appropriated an additional $500,000 to support creation of a fifth 2010 Research Center increasing annual appropriations to $3.2 million. In 2007 the state legislature approved a one-time $2.9 million appropriation to create a sixth 2010 Research Center. The Drought Tolerance Research Center is a true partnership involving the many seed and crop related entities, crop research and promotion boards, and individual biotechnology companies. The $2.9 million in one time funding provided by the Legislature was leveraged with more than $6 million in private sector funding to construct a Seed Research Center building and provide $600,000 annually to support research at the Center of Excellence for Drought Tolerance Biotechnology. The new drought tolerance biotechnology center will be located within the new Innovation Campus at SDSU. The center will focus on research that leads to emerging technologies in drought tolerance crops and could potentially accelerate the availability of drought resistant products to the market by one to three years. A primary focus of the center will be to identify genes associated with drought, temperature, disease resistance, and crop quality. All of these traits are important for South Dakota's growing biofuel and feedstock industries.

The additional research centers are:

- **Center for Bioprocessing Research and Development, South Dakota School of Mines and Technology Department of Chemical and Biological Engineering, and South Dakota State University Department of Biology/Microbiology** – This center is focused on development of innovative processes to convert biomass into ethanol and high value chemicals, which can replace petroleum-derived products.

- **Center of Excellence for Drought Tolerance Biotechnology, South Dakota State University in collaboration with the South Dakota seed industry** – The Center's goal is to develop the nation's premier research center on applied crop genomics with an emphasis on development of drought and heat tolerant seeds and plants.

Total state investment in the 2010 Research Centers includes $14.8 million in fiscal years 2005 through 2009. This $14.8 million investment has generated more than $70 million in research activity, with $58.6 million supported by external grants and contracts. The estimated overall economic impact of the research centers has been approximately $111 million.

The four 2010 Research Centers have become self sustaining and will not receive state funding in FY 2010. In 2009, the Research and Commercialization Council, which oversees the 2010 Research Centers, selected five new research centers to receive state funding in FY 2010. The new centers include:

- **National Center for the Protection of the Financial Infrastructure, Dakota State University** – The Center builds upon Dakota State University's leadership in information security and South Dakota's financial services industry to advance the security and safety of the nation's financial infrastructure.

- **Center for Detecting Rare Physics Processes with Ultra-Low Background Experiments, University of South Dakota and Sanford Laboratory at Homestake –** The Center will enable researchers at South Dakota's public and private universities to contribute to the work being done at the Sanford Laboratory at Homestake and DUSEL. The center will produce super-clean materials needed by researchers at Homestake and other uses.

- **Center for Biological Control and Analysis by Applied Photonics, South Dakota State University, Department of Chemistry** – The Center will focus on development of innovative materials, chemicals and processes for delivery of drugs and treatment of humans and animals.

- **Translational Cancer Research Center, South Dakota State University and Sanford Research Institute –** The Center will focus on development and efficiently moving biomedical discoveries from the laboratory to the bedside.

- **Repair, Refurbish, and Return to Service Applied Research Center, South Dakota School of Mines and Technology –** The Center involves industry partners from across the nation along with the Department of Defense working to develop, certify, and implement innovative methods to extend the useful life of military and civilian equipment.

Sanford Underground Science and Engineering Laboratory (SUSEL/DUSEL). The National Science Foundation (NSF) announced in July 2005 the selection of the Homestake mine as one of two sites to receive $500,000 for development of a conceptual design for the Deep Underground Science and Engineering Laboratory (DUSEL). During a 2005 special session, the Governor and Legislators agreed to fund an interim laboratory until the final decision was made by NSF. The development of this interim laboratory at the 4,850 foot level will make the Homestake site a more attractive candidate for eventual DUSEL funding. On June 30, 2006, Mr. T. Denny Sanford pledged a $70 million gift to help develop the underground laboratory and a science education center. The NSF issued a solicitation in September 2006 for an enhanced 250-page Conceptual Design Report. The Homestake proposal was submitted on January 9, 2007, and was selected by NSF as the recommended site for the DUSEL. As a result of the NSF selection, the University of California at Berkeley received an additional $15 million to develop a conceptual design for a DUSEL with campuses at 4,850 and 7,400 feet underground at Homestake. In January of 2009, the NSF held a progress review of the DUSEL project and recommended further funding to finish the preliminary design for review in late 2010. If that review is favorable, the proposed DUSEL will be submitted to the National Science Board in early 2011 and if approved by the NSB it will be submitted for full funding. The Department of Energy has also expressed interest in creating large cavities at the 4,850 level to house large detectors to study neutrinos originating from Fermilab in Chicago, Illinois. The South Dakota Science and Technology Authority, meanwhile, is continuing to work on the Sanford Underground Science and Engineering Laboratory at the 4,850 foot level. Surface work, including remodeling existing buildings, is under way. A mine re-entry plan was approved in 2007, and the first water was pumped out of the mine on March 14, 2008. Construction on the Sanford Laboratory at the 4,850 foot level will be started in July of 2009 and ready for science research in early 2010. Biology, hydrology, geology and astrophysics are currently conducting experiments at various locations on different levels throughout the mine.

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

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

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

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

Between fiscal year 2004 and appropriated fiscal year 2010, the state, with the aid of the American Recovery and Reinvestment Act of 2009, has increased funding to K-12 education by $195.55 per student above what would have been received if only the inflation rate were applied to the per student allocation. These increases added to the statutorily required inflationary increases have resulted in an overall increase of $915.41 per student during this time period.

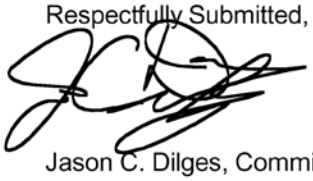
In addition, the passage of Senate Bill 157 of the 2007 legislative session updated the student count used in the state aid formula from an average daily membership count to a fall enrollment count. Since enrollment is generally higher at the beginning of the school year than the average for the entire school year, this was advantageous to nearly all school districts. In addition, school districts with eligible increasing enrollments will now receive additional funding on a one time basis for the additional students. Also, school districts with decreasing enrollments will be allowed to use a two year average of students in determining the amount of state aid they are eligible for and the method for calculating the small school adjustment was updated. These changes amount to more than $6.8 million in on-going state aid flowing to the school districts.

ACKNOWLEDGMENTS

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

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

Respectfully Submitted,



Jason C. Dilges, Commissioner
Bureau of Finance and Management

SouthDakota
GREAT FACES. GREAT PLACES.

SOUTH DAKOTA
FY2008 PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

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

CONSTITUTIONAL OFFICERS

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

PUBLIC UTILITIES COMMISSION

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

LEGISLATIVE BRANCH

The Honorable Thomas Deadrick
Speaker of the House

The Honorable Dave Knudson
Senate Majority Leader

The Honorable Scott Heidepriem
Senate Minority Leader

The Honorable Larry Rhoden
House Majority Leader

The Honorable Dale Hargens
House Minority Leader

JUDICIAL BRANCH

The Honorable David Gilbertson
Chief Justice

The Honorable Richard Sabers
Associate Justice

The Honorable John Konenkamp
Associate Justice

The Honorable Steven Zinter
Associate Justice

The Honorable Judith Meierhenry
Associate Justice

SOUTH DAKOTA
FY2008 FUNCTIONS OF STATE GOVERNMENT

GENERAL GOVERNMENT

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

HEALTH, HUMAN AND SOCIAL SERVICES

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

LAW, JUSTICE, PUBLIC PROTECTION AND REGULATION

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

AGRICULTURE AND NATURAL RESOURCES

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

TRANSPORTATION

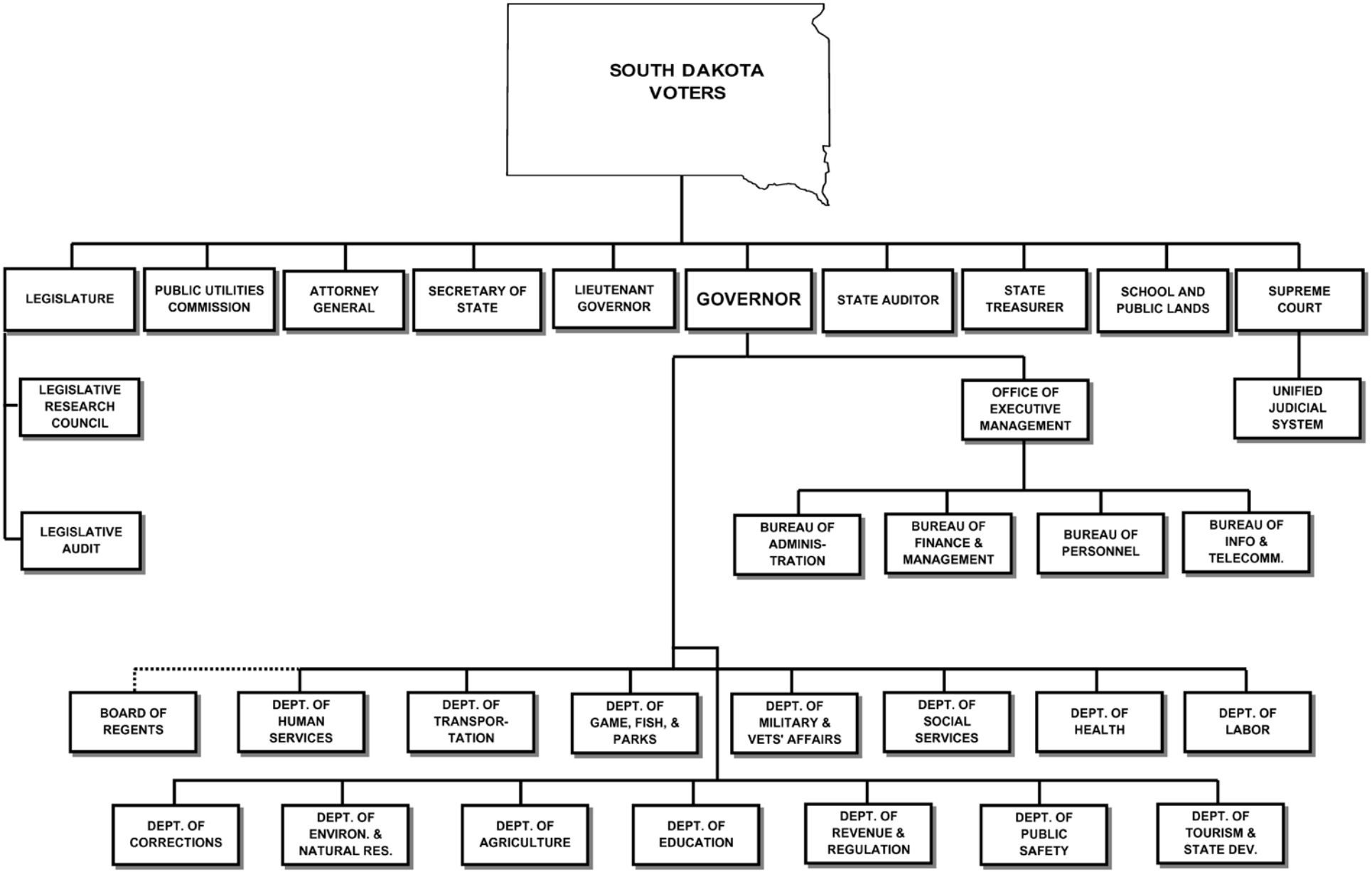
- TRANSPORTATION

EDUCATION

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

ECONOMIC RESOURCES

- TOURISM AND STATE DEVELOPMENT


SOUTH DAKOTA VOTERS
LEGISLATURE
PUBLIC UTILITIES COMMISSION
ATTORNEY GENERAL
SECRETARY OF STATE
LIEUTENANT GOVERNOR
GOVERNOR
STATE AUDITOR
STATE TREASURER
SCHOOL AND PUBLIC LANDS
SUPREME COURT
LEGISLATIVE RESEARCH COUNCIL
LEGISLATIVE AUDIT
OFFICE OF EXECUTIVE MANAGEMENT
UNIFIED JUDICIAL SYSTEM
BUREAU OF ADMINIS-TRATION
BUREAU OF FINANCE & MANAGEMENT
BUREAU OF PERSONNEL
BUREAU OF INFO & TELECOMM.
BOARD OF REGENTS
DEPT. OF HUMAN SERVICES
DEPT. OF TRANSPOR-TATION
DEPT. OF GAME, FISH, & PARKS
DEPT. OF MILITARY & VETS' AFFAIRS
DEPT. OF SOCIAL SERVICES
DEPT. OF HEALTH
DEPT. OF LABOR
DEPT. OF CORRECTIONS
DEPT. OF ENVIRON. & NATURAL RES.
DEPT. OF AGRICULTURE
DEPT. OF EDUCATION
DEPT. OF REVENUE & REGULATION
DEPT. OF PUBLIC SAFETY
DEPT. OF TOURISM & STATE DEV.

FINANCIAL SECTION

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of South Dakota as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

Government-wide Financial Statements

- The Unemployment Insurance enterprise fund which represents 4.8% of assets and 12.0% of revenues of the business-type activities.

- The Housing Authority and certain foundations of Higher Education that, in aggregate represent 76.9% of assets and 26.2% of revenues of the discretely presented component units.

Fund Financial Statements

- The Unemployment Insurance enterprise fund, which represents 17.4% of assets and 45.1% of revenues of the non-major enterprise funds.

- The South Dakota Retirement System which represents 96.2% of assets, 97.3% of net assets and 98.0% of the net increase (decrease) in net assets of the fiduciary funds.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and entities, is based 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 of material misstatement. An audit includes

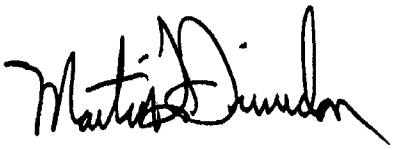
examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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 of South Dakota, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009 on our consideration of the State of South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Martin L. Guindon, CPA
Auditor General

June 12, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the state of South Dakota's (herein after referred to as the State) financial performance and position, providing an overview of the State's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- Total assets of the State exceeded its total liabilities at the close of the fiscal year by $4.6 billion (reported as net assets), an increase of $70.8 million from the previous year. Certain resources within the total net assets balance have restrictions and internally imposed limitations that are discussed under the *Government-Wide Financial Analysis* section of this document. Component units reported net assets of $1.2 billion, an increase of $104.5 million from the previous year.

Fund Level

- At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $1.4 billion, with $0.5 billion reported as unreserved fund balance and the remaining amount of $0.9 billion reserved for specific purposes (such as encumbrances, inventories, debt service, school perpetuity, noncurrent assets, Transportation Infrastructure Bank Projects, and funds held as permanent investments). Certain resources within the $0.5 billion unreserved fund balance have internally imposed limitations that are discussed under the *Financial Analysis of the State's Funds* section of this document. At the end of the fiscal year, the unreserved fund balance for the General Fund was $138.9 million, of which $43.4 million was designated as budget reserve only to be used to address emergency situations, without having to raise taxes or cut spending, which are commonly referred to by management as the budget reserve. The remaining balance is reported as unreserved undesignated fund balance ($95.5 million). Although this amount is unreserved undesignated, it should be noted certain resources within this balance have additional limitations imposed upon it. Internally imposed limitations included, but may not be limited to the following:

    - $16.5 million is not part of cash and cash equivalents, but rather a net effect of receivables and other assets in excess of liabilities and/or commitments.

    - $22.4 million was previously approved and appropriated via past legislative actions to fund Specials and/or Maintenance and Repairs Legislative Acts that will require usage of current state resources.

    - $42.2 million represents tax revenue that was received in FY08, recognized in the General Fund in FY08 but not distributed to the General Fund until FY09 for purposes of meeting the State's ongoing obligations to the citizens and creditors for the next fiscal year.

- Proprietary funds reported net assets at year-end of $437.6 million, an increase of $18.9 million during the year.

Long-Term Debt

- The primary government's total long-term debt (Revenue Bonds, Trust Certificates and Capital Leases) as of June 30, 2008, totaled $496.0 million, an increase of $11.2 million from the last fiscal year-end. The increase represents the net difference between new issuances, payments and refundings of outstanding debt.

- During the fiscal year, the South Dakota Conservancy District issued bonds for the Clean Water State Revolving Fund program in the amount of $22.0 million and the Drinking Water State Revolving Fund program in the amount of $18.0 million. The State incurred no new long-term general indebtedness under governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- ***The Statement of Net Assets*** presents information on all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

- ***The Statement of Activities*** presents information depicting how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

- ***Governmental Activities.*** The governmental activities of the State include general government; education – elementary, secondary and vocational schools; education – state support to universities; health, human and social services; law, justice, public protection and regulation; agriculture and natural resources; economic resources; transportation; intergovernmental – payments to school districts; intergovernmental – revenue sharing; unallocated interest expense; and, unallocated depreciation. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal grants) finance most of the costs of these activities.

- ***Business-type Activities.*** The State charges fees to customers to help cover all or most of the cost of certain services it provides. The Lottery Fund is an example of business-type activity.

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

  - ✓ Higher Education
  - ✓ Conservation Reserve Enhancement Program (CREP)
  - ✓ South Dakota Housing Development Authority
  - ✓ South Dakota Economic Development Finance Authority
  - ✓ Value Added Finance Authority
  - ✓ Science and Technology Authority

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

Fund Financial Statements

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

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

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

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

- ***Proprietary Funds.*** Proprietary funds include: (1) enterprise funds and (2) internal service funds. These funds account for the State's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.

  1. Enterprise funds (e.g., Lottery Fund) are used to account for activities that largely involve customers outside of state government, and are the same functions reported as business-type activities in the government-wide financial statements.

  2. Internal service funds (e.g., Fleet and Travel Management) are used to account for activities that largely involve other state agencies. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental rather than business-type activities.

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

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

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

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 fund financial statements. The notes to the financial statements are located immediately following the discretely presented component units' financial statements.

Required Supplementary Information

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

The Budgetary Comparison Schedule presents both the original and the final appropriated budgets for the fiscal year ending June 30, 2008. The Budgetary Comparison Schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As presented in the following table, total assets of the State on June 30, 2008, were $5.6 billion, while total liabilities were $1.0 billion, resulting in combined net assets (governmental and business-type activities) of $4.6 billion.

State of South Dakota
Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	$ 1,867,795	$ 1,995,400	$ 559,711	$ 501,056	$ 2,427,506	$ 2,496,456
Capital Assets	3,134,330	3,026,895	2,565	2,829	3,136,895	3,029,724
Total Assets	5,002,125	5,022,295	562,276	503,885	5,564,401	5,526,180
Long-Term Liabilities Outstanding	434,369	454,362	136,625	100,862	570,994	555,224
Other Liabilities	414,707	457,728	16,219	21,572	430,926	479,300
Total Liabilities	849,076	912,090	152,844	122,434	1,001,920	1,034,524
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,053,427	2,947,980	2,565	2,829	3,055,992	2,950,809
Restricted	1,032,035	1,091,917	284,272	284,322	1,316,307	1,376,239
Unrestricted	67,587	70,308	122,595	94,300	190,183	164,608
Total Net Assets	**$ 4,153,049**	**$ 4,110,205**	**$ 409,432**	**$ 381,451**	**$ 4,562,481**	**$ 4,491,656**

The largest component of the State's net assets, 67.0%, is investments in capital assets (land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress), less depreciation and all outstanding debt that was issued to buy or build those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. **Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.**

Restricted net assets comprise 28.9% of total net assets. These net assets are subject to restrictions either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws/regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation on how they can be used. The majority of the restricted net assets are restricted for funds held as permanent investments, either as expendable ($64.7 million) or nonexpendable ($680.6 million). These include the following funds:

- ***Dakota Cement Trust Fund.*** This fund consists of the proceeds from the sale of the State Cement Plant and all investment earnings thereon. Article XIII, section 21 of the Constitution of the State of South Dakota states: "Except as provided in Article XIII, section 20 of the Constitution of the State of South Dakota, the original principal of the trust fund shall forever remain inviolate. However, the Legislature shall, by appropriation, make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education, if the increase in the market value of the trust fund in that fiscal year was sufficient to maintain the original principal of the trust fund after such distributions. Beginning with fiscal year 2006, the market value of the trust fund shall be determined by adding the market value of the trust fund at the end of the sixteen most recent calendar quarters, and dividing that sum by sixteen." The fund balance in the Dakota Cement Trust Fund at June 30, 2008 was $250.9 million, a decrease of $30.7 million from the previous year. The decrease resulted primarily from net unrealized depreciation on investments due to market value decline of those investments during the fiscal year.

- ***Health Care Trust Fund.*** This fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for health care related programs. Article XII, section 5 of the Constitution of the State of South Dakota also states that, "the Health Care Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all of the members-elect of each house of the legislature." The fund balance in the Health Care Trust Fund at June 30, 2008 was $97.6 million, a decrease of $10.3 million from the previous year. The decrease resulted from $6.3 million net unrealized depreciation on investments due to market value decline of those investments during the fiscal year and the balance being distributions to the General Fund.

- ***Education Enhancement Trust Fund.*** This fund consists of monies received from the Tobacco Settlement Agreement, monies transferred from the Tobacco Securitization Fund, and monies from the Youth-at-Risk Fund. The fund is authorized by State law to make an annual distribution equal to 4.0% of its market value (less the investment expenses) into the General Fund for educational enhancement programs. Article XII, section 6 of the Constitution of the State of South Dakota also states that, "the Education Enhancement Trust Fund may not be diverted for other purposes, nor may the principal be invaded unless appropriated by a three-fourths vote of all the members-elect of each house of the legislature." The fund balance in the Education Enhancement Trust Fund at June 30, 2008 was $368.4 million, a decrease of $44.0 million from the previous year. The decrease resulted from a $27.3 million net unrealized depreciation on investments due to market value decline of those investments during the fiscal year and the balance being distributions to the General Fund.

The remaining balance, $190.2 million, is unrestricted net assets that may be used to meet the State's ongoing obligations to citizens and creditors. However, certain resources within this balance have limitations imposed internally by state law. Internally imposed limitations include, but may not be limited to, the following:

- ***General Fund Budget Reserve.*** The 1991 South Dakota Legislature established a General Fund Budget Reserve whereas expenditures out of the budget reserve fund shall only be used by special appropriation (which requires a two-thirds vote of all the members of each branch of the Legislature) and shall only redress such unforeseen expenditure obligations or such unforeseen revenue shortfalls as may constitute an emergency pursuant to S.D. Const., Art. III, § 1. The balance in the General Fund Budget Reserve at June 30, 2008 was $43.4 million, an increase of $0.2 million from the previous year.

- ***Property Tax Reduction Fund.*** The Property Tax Reduction Fund (PTRF) was created to fund property tax relief in South Dakota. Senate Bill 225, passed during the 1996 legislative session, provides that the Commissioner of Bureau of Finance and Management may transfer monies available from the PTRF to the General Fund to provide property tax relief through state aid to education. Revenues deposited in the PTRF come from three sources: (1) 49.5% of video lottery net machine income, (2) 60% of the revenue from the 4% tax on the gross receipts of telecommunications services, which was imposed by HB 1104 passed by the 2003 legislature, (3) 33% share of revenue generated from the tobacco tax in excess of $35 million; and (4) unobligated cash remaining at the end of a fiscal year after the transfer into the Budget Reserve Fund, if the amount in the PTRF does not exceed 15% of the General Fund appropriations in the General Appropriations Act for the previous fiscal year. The fund balance in the Property Tax Reduction Fund at June 30, 2008 was $68.7 million, a decrease of $25.3 million from the previous year.

Changes in Net Assets. The following table summarizes financial information derived from the government-wide statement of activities and reflects how the State's net assets changed during fiscal year 2008.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Service	$ 301,850	$ 283,501	$223,801	$ 214,802	$525,651	$ 498,303
Operating Grants and Contributions	1,246,925	1,258,548	21,879	26,262	1,268,804	1,284,810
Capital Grants and Contributions	25,395	1,000			25,395	1,000
General Revenues:						
Sales Taxes	668,123	625,133			668,123	625,133
Motor Fuel Taxes	125,005	146,851			125,005	146,851
Contractors Excise Taxes	79,137	81,069			79,137	81,069
Bank Card and Franchise Taxes	62,036	76,497			62,036	76,497
Other Taxes	264,944	211,452			264,944	211,452
Unrestricted Investment Earnings	(18,946)	137,568			(18,946)	137,568
Gain on Sale of Capital Assets	1,135	1,305			1,135	1,305
Miscellaneous	41,805	39,667			41,805	39,667
Total Revenue	2,797,409	2,862,591	245,680	241,064	3,043,089	3,103,655
Program Expenses:						
General Government	175,272	194,266			175,272	194,266
Education – Elementary, Secondary and Vocational Schools	200,226	186,599			200,226	186,599
Education – State Support to Universities	170,348	160,725			170,348	160,725
Health, Human and Social Services	1,127,618	1,043,771			1,127,618	1,043,771
Law, Justice, Public Protection And Regulation	233,676	232,526			233,676	232,526
Agriculture and Natural Resources	114,783	123,135			114,783	123,135
Economic Resources	47,226	39,371			47,226	39,371
Transportation	316,113	362,680			316,113	362,680
Intergovernmental – Payments to School Districts	376,843	346,582			376,843	346,582
Intergovernmental – Revenue Sharing	103,633	101,669			103,633	101,669
Unallocated Interest Expense	22,805	23,191			22,805	23,191
Unallocated Depreciation	58	58			58	58
Lottery			33,419	31,404	33,419	31,404
Clean Water State Revolving			4,486	3,996	4,486	3,996
Drinking Water State Revolving			2,855	2,720	2,855	2,720
Other			54,688	56,247	54,688	56,247
Total Expenses	2,888,601	2,814,573	95,448	94,367	2,984,049	2,908,940
Excess (Deficiency) Before Transfers	(91,192)	48,018	150,232	146,697	59,040	194,715
Transfers	122,251	120,065	(122,251)	(120,065)		
Change in Net Assets	31,059	168,083	27,981	26,632	59,040	194,715
Net Assets – Beginning (As Restated)	4,121,990	3,942,122	381,451	354,819	4,503,441	4,296,941
Net Assets – Ending	**$4,153,049**	**$4,110,205**	**$409,432**	**$381,451**	**$4,562,481**	**$4,491,656**

Governmental Activities:

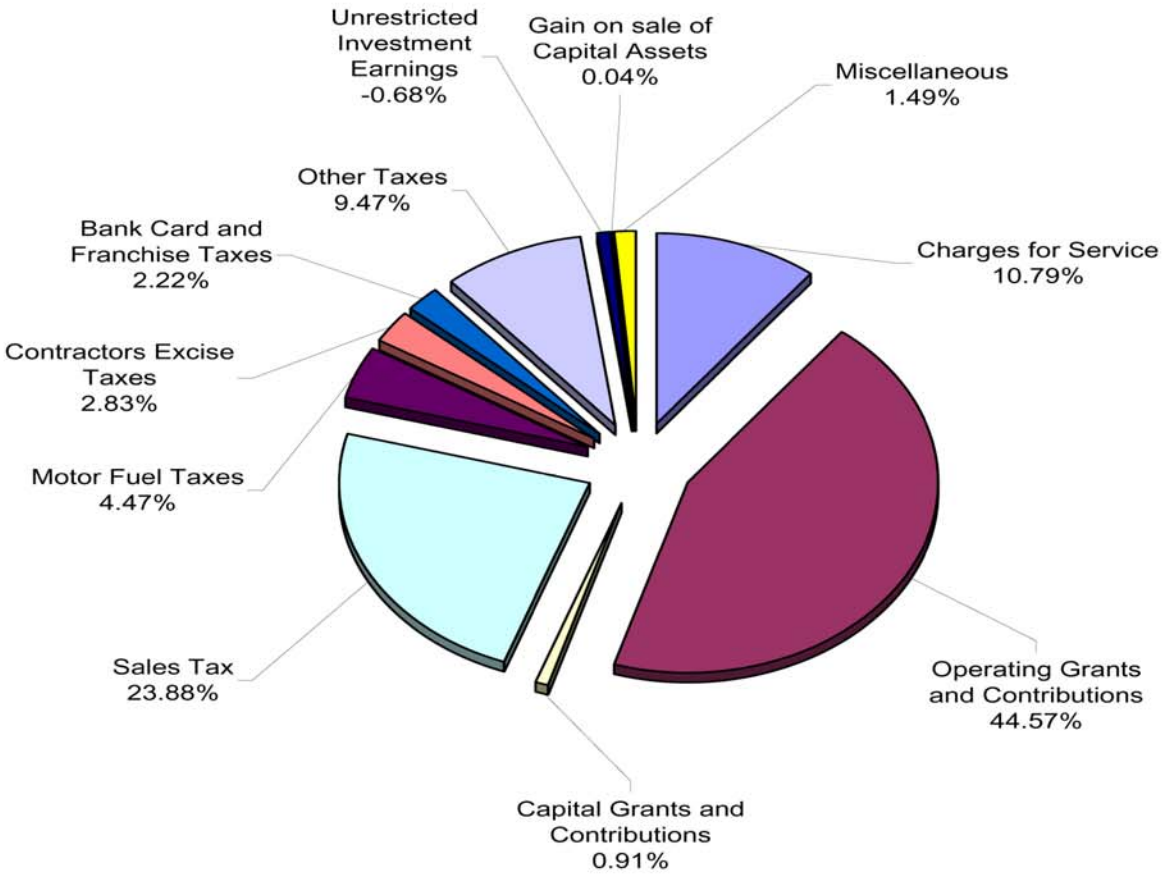
Governmental activities increased the State's net assets by $31.1 million from its current operations. This was the result of the net effect of the following: (1) $2.8 billion revenues (a decrease from the prior year of $65.2 million); less (2) $2.9 billion expenses (an increase over the prior year of $74.0 million); and, plus (3) net transfers of $122.3 million primarily from "transfers in" from the South Dakota Lottery in the amount of $123.3 million.

- The decrease in revenues was primarily due to a $156.5 million decrease in investment earnings from the prior year. However, the decrease in governmental activity revenues was softened by a $32.5 million increase in other taxes, and a $43 million increase in sales taxes due to continued increases in consumer spending in the first three quarters of the fiscal year.

- The increase in expenses was primarily in the Health, Human and Social Services; and Education functions of Government and the result of planned and budgeted costs designed to support the ongoing mission of state government.

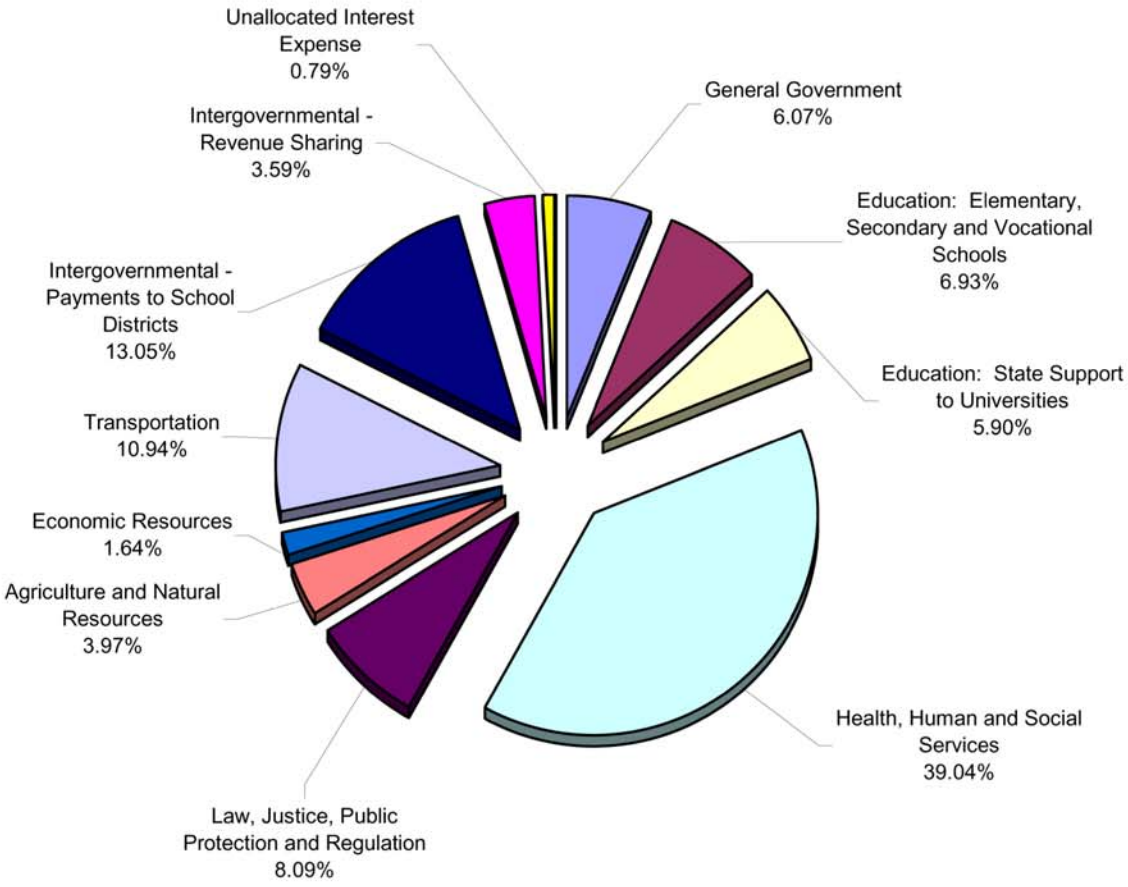
The following two charts illustrate the above program revenues and expenses for Governmental Activities for fiscal year ending June 30, 2008:

State of South Dakota
Revenues - Governmental Activities
Fiscal Year Ended June 30, 2008



Total Revenues $2,797,409
(Expressed in Thousands)

State of South Dakota
Expenses - Governmental Activities
Fiscal Year Ended June 30, 2008



Total Expenses $2,888,601
(Expressed in Thousands)

Business-type Activities:

Net assets of the business-type activities increased by $28.0 million from its operations during the fiscal year. Factors contributing to the increase include, but are not limited to:

- The Clean Water and Drinking Water State Revolving Funds together had an increase in net assets of $15.6 million, primarily due to: (1) federal funding of loan programs, (2) investment earnings, and (3) interest on loans.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $1.4 billion, a decrease of $77.9 million during the year.

Approximately 65.5%, or $917.9 million of the combined ending fund balances, is reserved to indicate that it is not available for new spending because it has already been committed (1) to be held as permanent investments ($653.0 million), (2) to pay debt service ($78.9 million), (3) to liquidate contracts and purchase orders for the prior fiscal year ($68.6 million), (4) for noncurrent assets ($51.5 million), (5) to be held in a permanent trust fund with earnings distributed to the primary government and universities ($28.4 million), (6) for inventories ($19.3 million) or (7) for State Transportation Infrastructure Bank Projects ($18.2 million).

Approximately 3.1%, or $43.4 million of the combined ending fund balances, is designated as a General Fund Budget Reserve to indicate that it has been designated through internally imposed limitations to be used only to address emergency situations without having to raise taxes or cut spending.

The remaining 31.4%, or $440.3 million of the combined ending fund balances, constitutes unreserved fund balance that may be used to meet the State's ongoing obligations to citizens and creditors. However, a portion of this balance relates to statutory imposed limitations that could limit resource use, unless appropriated by legislative action as defined by State law. Examples of funds (and reported unreserved fund balances) where a portion of, or all of the fund balance is subject to statutory imposed limitations include, but may not be limited to: (1) Dakota Cement Trust Fund ($12.9 million), (2) Health Care Trust Fund ($12.0 million), (3) Education Enhancement Trust Fund ($39.0 million), and (4) Property Tax Reduction Fund ($68.8 million).

Note: For a complete explanation of these funds, refer to the previous section entitled, "Government-Wide Financial Analysis."

The following governmental funds are major funds and had significant changes to fund balances during fiscal year 2008:

- ***General Fund.*** The General Fund is the chief operating fund of the State. At the end of the fiscal year, the unreserved fund balance of the General Fund was $138.9 million, of which $43.4 million was designated only to be used to address emergency situations without having to raise taxes or cut spending (budget reserve). The total fund balance at the end of the current fiscal year was $170.0 million. As a measure of General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance (including the unreserved designated amount) represents 11.8% of the total General Fund operating expenditures, while the total fund balance represents 14.4% of that same amount.

  Although the State's General fund experienced a $35.2 million increase in total revenues from the previous fiscal year, overall, the fund balance decreased by $5.4 million during the current fiscal year. This is a 3.1% decrease from the prior year due to expenditures exceeding revenues and other financing sources during the current fiscal year. Contributing factors include, but are not limited to:

  1. $31.2 million increase in tax revenues primarily due to increased sales tax revenues resulting from a slight expansion of the South Dakota economy.

  2. $43.3 million increase in transfers in primarily due to increases in transfers from the Property Tax Reduction Fund ($27 million), Heath Care Tobacco Tax Fund ($9.3 million) and the Insurance Operating Fund and Securities Operating Fund ($3.5 million).

  3. $42.5 million increase in Health, Human and Social Services expenditures (taking care of those who cannot take care of themselves).

  4. $28.0 million and $9.6 million increase in payments to school districts and state support to Universities (providing our children with quality education).

  5. $11.2 million increase in Law, Justice, Public Protection and Regulation expenditures (protecting the public from those who would do us harm).

- ***Transportation.*** The total fund balance at the end of the current fiscal year for the Transportation fund was $74.9 million, an increase of $24.6 million from the prior fiscal year. The increase resulted primarily from an unanticipated increase of $8 million in the motor fuel and excise tax revenue and an increase of $15 million from the utilization of DOT right-of-way for the state's share of federal construction projects.

- ***Dakota Cement Trust.*** The total fund balance at the end of the current fiscal year for the Dakota Cement Trust Fund was $250.9 million, a decrease of $30.7 million from the prior fiscal year. The decrease resulted primarily from net unrealized depreciation on investments due to market value decline of those investments during the fiscal year.

- ***Education Enhancement Trust.*** The total fund balance at the end of the current fiscal year for the Education Enhancement Trust Fund was $368.4 million, a decrease of $44.0 million from the prior fiscal year. The decrease resulted primarily from net unrealized depreciation on investments due to market value decline of those investments during the fiscal year.

Proprietary Funds

The State's proprietary funds are presented on the full accrual basis of accounting and include the State's enterprise funds and internal service funds. The following proprietary funds had significant changes to net assets during fiscal year 2008:

- ***Lottery Fund.*** At the end of the current fiscal year, the Lottery Fund reported total net assets of $6.2 million, an increase of $0.4 million in comparison with the prior year. During the current fiscal year, the State Lottery produced income (before transfers) in the amount of $123.7 million on total revenue of $156.1 million, compared to the previous fiscal year's income (before transfers) of $122.0 million on total revenue of $152.5 million. The increase was the result of increased sales for instant and on-line ticket sales and increased video lottery revenue. During fiscal year 2008, the State Lottery distributed approximately $111.2 million to the Property Tax Reduction Fund, $7.1 million to the General Fund, $4.8 million to the Capital Construction Fund, and $.2 million to the Department of Human Services.

- ***Clean Water State Revolving Fund.*** The Clean Water State Revolving Fund program provides low interest loans to governmental entities for wastewater, storm sewer, and nonpoint source pollution projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Clean Water State Revolving Fund reported total net assets of $149.7 million, an increase of $5.5 million in comparison with the prior fiscal year. The increase resulted primarily from (1) the receipt of $3.0 million capitalization grant monies received from the federal government and (2) $2.6 million of revenue from investments, interest, and other sources in excess of operating expenses.

- ***Drinking Water State Revolving Fund.*** The Drinking Water State Revolving Fund program provides low interest loans for drinking water projects. Projects with compliance or health and safety concerns receive highest priority. At the end of the current fiscal year, the Drinking Water Revolving Fund reported total net assets of $108.6 million, an increase of $10.3 million in comparison with the prior year. This increase resulted primarily from (1) the receipt of $8.0 million capitalization grant monies received from the federal government and (2) $2.4 million of revenue from investments, interest, and other sources in excess of operating expenses.

Budgetary Highlights - General Fund

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

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

The difference between the original and the final amended budget was relatively minor ($22.3 million increase in appropriations) and is primarily due to the following areas:

- $3.2 million appropriation to the Bureau of Administration for the Extraordinary Litigation Fund.

- $0.2 million appropriation to the Department of Military & Veteran Affairs for the renovation of the National Guard armory in Yankton.

- $2.7 million appropriation to the Department of Education for the Gear Up Grant, State Aid to General Education, and to make up for an estimated shortfall in collections for the Education Enhancement Tobacco Tax Fund.

- $4.7 million appropriation to the Department of Agriculture for costs related to the suppression of wildfires and for conservation grants.

- $0.5 million appropriation to the Department of Game, Fish and Parks to make the first bond payment for the Custer State Park bond payment due to the $12 million bond project.

- $1.0 million appropriation to the Department of Environment and Natural Resources for the Governor's Omnibus Water Bill.

- $4.3 million appropriation to the Department of Public Safety for costs related to disasters in the State of South Dakota.

- $5.4 million appropriation to the Board of Regents for the REED network, the Critical M&R bond payment, and a revision to the FY2008 General Appropriations Act for South Dakota Opportunity Scholarships.

Overall, there were no over-expenditures by any State departments. The difference between the final amended budget and actual spending ($22.2 million below final budgeted estimates) resulted from the following:

- Agencies controlled spending in an effort to create budgetary savings to the General Fund of $2.7 million.

- Maintenance and repair amounts of $2.6 million statutorily authorized to be carried forward and spent in future years.

- Special appropriation amounts of $16.9 million statutorily authorized to be carried forward and spent in future years, mostly pertaining (but not limited), to: the Governor's Omnibus Water Bill ($1.0 million); the State Veteran's Home Life Safety Capital Improvement Grant ($1.1 million); the Veteran's Bonus program ($1.3 million); design and construction of National Guard Armories ($1.9 million); construction of USDSU classrooms ($7.5 million); the sales tax on food refund program ($1.6 million); and to provide funding for the 2010 Research Center of Excellence for Drought Tolerance Biotechnology ($2.5 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business type activities as of June 30, 2008, is $3.1 billion (net of accumulated depreciation). This investment in capital assets includes land; land improvements; land improvements – roads; buildings; equipment; vehicles; infrastructure; and construction in progress.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	$ 100,509	$ 75,229	$ 295	$ 295	$ 100,804	$75,524
Land Improvements	18,243	17,853	924	924	19,167	18,777
Land Improvements - Roads	586,343	581,491	0	0	586,343	581,491
Buildings	355,164	338,675	4,008	4,008	359,172	342,683
Equipment	184,099	175,163	3,267	3,178	187,366	178,341
Vehicles	116,171	110,912	0	0	116,171	110,912
Infrastructure	3,075,133	2,964,367	0	0	3,075,133	2,964,367
Construction in Progress	192,149	223,449	0	0	192,149	223,449
Total Capital Assets	4,627,811	4,487,139	8,494	8,405	4,636,305	4,495,544
Accumulated Depreciation	(1,493,481)	(1,450,515)	(5,929)	(5,576)	(1,499,410)	(1,456,091)
Total Capital Assets, Net	$3,134,330	$3,036,624	$ 2,565	$ 2,829	$3,136,895	$3,039,453

The most significant capital asset the State reported in fiscal year 2008 was infrastructure assets and related land, land improvements, and construction in progress. Infrastructure assets are long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Infrastructure assets account for $2.5 billion (net of accumulated depreciation), which is 78.5% of total capital assets (net of accumulated depreciation).

The State's investment in capital assets (net of accumulated depreciation) increased from fiscal year 2007 to 2008 by approximately 3.2%. The change was primarily due to ongoing construction and completion of segments of infrastructure - highways, bridges, and railroads. Construction in progress for highways, bridges, and railroads increased by $125.1 million and decreased (projects completed and capitalized) by $165.3 million. Land and land improvements increased by $25.7 million which consisted largely of land purchased by the Department of Game, Fish and Parks ($26.2 million) and the sale of land by the Department of Transportation ($.4 million, net of purchases). Building and building improvements increased by $16.5 million. This was largely due to the completion of building improvements for the Aberdeen Armory ($1 million), the completion of the Mobridge Readiness Center ($4.7 million), the completion of Creekside Lodge ($2.9 million), the completion of Blue Bell Lodge and Store ($1.8 million), the completion of the McNenny, Blue Dog and Cleghorn Fish Hatcheries ($2.3 million) and the purchase of the Capital Lake Plaza Building ($1.5 million). Equipment assets increased by $9 million. This was largely due to the purchase of new equipment and replacing of aged equipment by the Department of Transportation ($4.3 million, net of disposals) and by the Department of Game, Fish and Parks ($1.2 million, net of disposals), purchase of computer software for the Unified Judicial System ($1.6 million) and the purchase of computer hardware and software for the Department of Transportation ($1.3 million, net of disposals). Vehicles which include trucks, cars, pickups and other vehicles, increased by $5.3 million largely due to replacing aged vehicles by the Department of Transportation ($2.4 million, net of disposals) and the Bureau of Administration ($2.3 million). Construction in progress, not including construction in progress for highways, bridges, and railroads, increased by $8.8 million. This was largely due to new and ongoing projects by the Department of Human Services ($3.5 million, net of projects completed and capitalized), the Department of Corrections ($2.3 million, net of projects completed and capitalized) and the Department of Transportation ($2.5 million, net of projects completed and capitalized).

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

Debt Administration

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

The South Dakota Building Authority was created and organized by Chapter 5-12 of the South Dakota Codified Laws. The South Dakota Building Authority issues bonds, certificates of participation, and trust certificates to finance the cost to acquire, construct, remodel, maintain, and equip buildings and other facilities of State departments and institutions. These obligations are payable from revenue generated through lease agreements between the South Dakota Building Authority and other State departments and institutions. The South Dakota Building Authority is a blended component unit of the State. A combination of rating agencies have been utilized to rate the outstanding uninsured bonds of the South Dakota Building Authority. The uninsured ratings as of June 30, 2008, are A1 from Moody's, AA- from Fitch and AA- from Standard and Poor's. The indebtedness, bonds, or obligations incurred or created by the South Dakota Building Authority may not be or become a lien, charge, or liability against the State. The bonds and all related financial transactions used to finance buildings of State departments and institutions are reported as part of governmental activities in the State's basic financial statements, except for debt of universities, which is reported as part of the discretely presented component unit information. The South Dakota Building Authority did not issue any Governmental Activities Revenue Bonds for the year ending June 30, 2008.

The Educational Enhancement Funding Corporation ("EEFC") is a special purpose corporation, organized by Chapter 5-12 of the South Dakota Codified Laws. EEFC is an instrumentality of, but separate and apart from the State. Although legally separate from the State, EEFC is a blended component unit of the State and, accordingly, is included in the State's financial statements. At June 30, 2008, the EEFC Series 2002A and 2002B Bonds had a rating of Baa3 from Moody's and BBB from Standard and Poor's. Pursuant to a Purchase and Sale Agreement with the State, the State sold to EEFC its future rights, title and interest in the Tobacco

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

The South Dakota Conservancy District issues tax exempt revenue bonds for the Clean Water State Revolving Fund (CWSRF) and for the Drinking Water State Revolving Fund (DWSRF). These funds provide low interest loans or other types of financial assistance for the construction of publicly-owned wastewater treatment facilities; implementation of nonpoint source management programs; development and implementation of plans under the Estuary Protection Program; and construction and maintenance of drinking water facilities respectively. At June 30, 2008, the South Dakota Conservancy District had a rating of Aaa/VMIG1 from Moody's and AAA/A-1+ from Standard & Poor's. The South Dakota Conservancy District bonds do not constitute a debt or liability of the State; or a pledge of the faith and credit of the State.

The bonds are paid solely from CWSRF and DWSRF loan repayments. The tax exempt revenue bonds and related financial transactions for the CWSRF and DWSRF are reported as part of the business-type activities in the State's basic financial statements. During the current fiscal year, the South Dakota Conservancy District issued bonds for the CWSRF program in the amount of $22.0 million and DWSRF program in the amount of $18.0 million.

At June 30, 2008, primary government had total note and bonded debt outstanding as follows:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenue Bonds:						
South Dakota Building Authority	$ 67,765	$ 76,649	$	$	$ 67,765	$ 76,649
Educational Enhancement Funding Corporation	234,898	247,602			234,898	247,602
South Dakota Conservancy District			135,525	99,798	135,525	99,798
Trust Certificates:						
South Dakota Building Authority	26,870	29,730			26,870	29,730
Capital Leases	30,971	30,992			30,971	30,992
Total	$ 360,504	$ 384,973	$ 135,525	$99,798	$ 496,029	$ 484,771

Additional information on the State's long-term debt obligations is located in Note 14 in the Notes to the Financial Statements.

ECONOMIC CONDITIONS AND OUTLOOK

After growing 2.1%, or 8,400 additional jobs in fiscal year 2007, nonfarm employment in South Dakota continued to grow in fiscal year 2008. In fiscal year 2008, nonfarm employment in the State grew 1.7%, or 7,000 jobs. This growth was stronger than the national growth rate for the seventh fiscal year in a row as the U.S. economy entered into a recession in December 2007. The U.S. recession did not have a significant impact on South Dakota's economy until the fourth quarter of calendar year 2008. The unemployment rate in South Dakota remained one of the lowest in the nation in fiscal year 2008. South Dakota's unemployment rate was 2.9% in June 2008, while the U.S. unemployment rate was 5.6% the same month. In calendar year 2008, South Dakota's income growth ranked eighth in the nation in terms of its personal income growth and ranked seventh in the nation in terms of its per capita personal income growth.

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

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements – Statement of Net Assets

Government-Wide Financial Statements – Statement of Activities

Balance Sheet – Governmental Funds

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

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

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

Statement of Net Assets – Proprietary Funds

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

Statement of Cash Flows – Proprietary Funds

Statement of Fiduciary Net Assets – Fiduciary Funds

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Notes to the Financial Statements

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2008
(Expressed in Thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	$ 600,726	$ 106,864	$ 707,590
Receivables (Net)	339,992	327,146	667,138
Due From Component Units	959	33	992
Due From Primary Government			0
Internal Balances	5,424	(5,424)	0
Investments	773,863	118,411	892,274
Inventory	20,710	1,846	22,556
Deferred Fiscal Charges and Other Assets	7,882	1,579	9,461
Restricted Assets:			
Cash and Cash Equivalents	1	21	22
Investments	23,421	1,322	24,743
Other		938	938
Securities Lending Collateral	94,817	6,975	101,792
Capital Assets:			
Land and Other Non-depreciable Assets	690,227	295	690,522
Infrastructure (net)	1,884,751		1,884,751
Property, Plant and Equipment (net)	367,203	2,270	369,473
Construction in Progress	192,149		192,149
Total Assets	5,002,125	562,276	5,564,401
Liabilities			
Accounts Payable and Other Liabilities	261,402	5,133	266,535
Due To Primary Government			0
Due To Component Units	1,561		1,561
Accrued Interest Payable	8,541	2,098	10,639
Deferred Revenue	48,386	2,013	50,399
Securities Lending Collateral Liability	94,817	6,975	101,792
Noncurrent Liabilities:			
Due Within One Year	47,599	5,007	52,606
Due In More Than One Year	386,770	131,618	518,388
Total Liabilities	849,076	152,844	1,001,920
Net Assets			
Invested In Capital Assets, Net of Related Debt	3,053,427	2,565	3,055,992
Restricted For:			
Highways	65,594		65,594
Agriculture and Natural Resources	86,491	1,302	87,793
Health and Public Assistance	4,035	3,429	7,464
Economic Development	22,282		22,282
Debt Service	68,699	1,344	70,043
Capital Projects	2,461		2,461
Unemployment Compensation		21,352	21,352
Environmental Projects		241,119	241,119
Energy Conservation Programs	10,366		10,366
Revolving Loan Programs		8,348	8,348
Higher Education - Expendable			0
Higher Education - Nonexpendable			0
Funds held as Permanent Investments			
Expendable	64,741		64,741
Nonexpendable	680,616		680,616
Other Purposes	26,750	7,378	34,128
Unrestricted	67,587	122,595	190,182
Net Assets	$ 4,153,049	$ 409,432	$ 4,562,481

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

Component Units			
Housing Authority	Science and Technology Authority	Higher Education	Nonmajor
$ 192,903	$ 49,670	$ 174,281	$ 2,300
1,482,463	1,003	45,902	27,190
		1,561	
641,861		238,938	2,826
2,423		7,812	
13,445	593	2,555	83
		3,122	575
		74,522	6,687
		64,125	
	4,409	13,972	
220	12,419	23,638	
929	7,964	365,673	
368	10,565	78,767	
2,334,612	86,623	1,094,868	39,661
26,662	2,298	39,633	1,695
19		973	
12,937		2,163	325
		4,265	26
	4,409	13,972	
135,229	33	34,509	1,460
1,772,287	34	284,305	26,486
1,947,134	6,774	379,820	29,992
1,517	30,948	278,428	
385,961		4,056	7,262
		119,276	
		244,399	
	11,145		
	37,756	68,889	2,407
$ 387,478	$ 79,849	$ 715,048	$ 9,669

STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 175,272	$ 147,597	$ 12,635	$
Education - Elementary, Secondary and Vocational Schools	200,226	3,451	158,644	
Education - State Support to Universities	170,348			
Health, Human and Social Services	1,127,618	25,858	713,061	
Law, Justice, Public Protection and Regulation	233,676	50,335	57,380	
Agriculture and Natural Resources	114,783	65,783	38,256	25,361
Economic Resources	47,226	2,011	18,547	
Transportation	316,113	6,815	248,402	34
Intergovernmental - Payments to School Districts	376,843			
Intergovernmental - Revenue Sharing	103,633			
Unallocated Interest Expense	22,805			
Unallocated Depreciation	58			
Total Governmental Activities	2,888,601	301,850	1,246,925	25,395
Business-type Activities:				
Lottery	33,419	156,241	870	
Clean Water State Revolving	4,486	4,826	5,212	
Drinking Water State Revolving	2,855	3,582	9,618	
Revolving Economic Development and Initiative	1,146	1,445	2,825	
Unemployment Insurance	23,409	28,037	1,396	
Second Injury	3,302	5,447	98	
State Fair	2,522	1,668	17	
Federal Surplus Property	3,830	3,958	23	
Rural Rehabilitation	798	409	396	
Prison Industries	2,580	2,807	178	
Health Insurance Risk Pool	5,436	5,011	489	
Professional and Licensing	6,269	6,393	575	
Banking and Insurance	2,483	1,902	75	
Other	2,913	2,075	107	
Total Business-type Activities	95,448	223,801	21,879	0
Total Primary Government	$ 2,984,049	$ 525,651	$ 1,268,804	$ 25,395
Component Units:				
Housing Authority	$ 127,966	$ 163,199	$	$
Science and Technology Authority	3,409	77	24,146	
Higher Education	551,757	263,284	127,067	7,549
Nonmajor	1,264	1,047		
Total Component Units	$ 684,396	$ 427,607	$ 151,213	$ 7,549

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

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

Net (Expenses) Revenue and Changes in Net Assets							
Primary Government			Component Units				
Governmental Activities	Business-type Activities	Total	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	
$ (15,040)	$	$ (15,040)					
(38,131)		(38,131)					
(170,348)		(170,348)					
(388,699)		(388,699)					
(125,961)		(125,961)					
14,617		14,617					
(26,668)		(26,668)					
(60,862)		(60,862)					
(376,843)		(376,843)					
(103,633)		(103,633)					
(22,805)		(22,805)					
(58)		(58)					
(1,314,431)	0	(1,314,431)					
	123,692	123,692					
	5,552	5,552					
	10,345	10,345					
	3,124	3,124					
	6,024	6,024					
	2,243	2,243					
	(837)	(837)					
	151	151					
	7	7					
	405	405					
	64	64					
	699	699					
	(506)	(506)					
	(731)	(731)					
0	150,232	150,232					
(1,314,431)	150,232	(1,164,199)					
			$ 35,233	$	$	$	
				20,814			
					(153,857)		
						(217)	
			35,233	20,814	(153,857)	(217)	
668,123		668,123					
125,005		125,005					
79,137		79,137					
62,036		62,036					
264,944		264,944					
(18,946)		(18,946)		2,775	9,230	601	
					170,348		
1,135		1,135					
41,805		41,805					
					18,184		
122,251	(122,251)						
1,345,490	(122,251)	1,223,239	0	2,775	197,762	601	
31,059	27,981	59,040	35,233	23,589	43,905	384	
4,121,990	381,451	4,503,441	352,245	56,260	671,143	9,285	
$ 4,153,049	$ 409,432	$ 4,562,481	$ 387,478	$ 79,849	$ 715,048	$ 9,669	

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Assets					
Cash and Cash Equivalents	$ 122,391	$ 59,793	$	$ 8,736	$ 21,234
Investments				238,314	359,102
Securities Lending Collateral	19,837	5,346		18,506	12,918
Receivables From:					
Taxes (net)	90,645	7,411			
Interest and Dividends	3,530	310	3	662	1,358
Other Funds	48,488	1,778	34		
Component Units					
Other Governments	769	42,977	42,423		
Loans and Notes (net)		258			
Other (net)	1,450	168	767	3,186	2,128
Inventory	1,980	13,937			
Deferred Fiscal Charges and Other Assets	398	113	66		
Total Assets	$ 289,488	$ 132,091	$ 43,293	$ 269,404	$ 396,740
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	$ 41,356	$ 42,674	$ 34,204	$	$
Payable To:					
Other Funds	8,022	1,065	8,490		15,453
Component Units	113	35	137		
Other Governments	39,997	4,777	107		
Claims, Judgments and Compensated Absences	304	82	32		
Deferred Revenue	9,837	3,202	258		
Securities Lending Collateral Liability	19,837	5,346		18,506	12,918
Total Liabilities	119,466	57,181	43,228	18,506	28,371
Fund Balances:					
Reserved For:					
Encumbrances	23,109	5,168	30,814		
Inventories	1,980	13,937			
Debt Service					
School Perpetuity					
Noncurrent Assets	6,050	79			
State Transportation Infrastructure Bank Projects		18,239			
Funds held as Permanent Investments				238,000	329,330
Unreserved Designated for Budget Reserve	43,398				
Unreserved Undesignated, Reported In:					
General Fund	95,485				
Special Revenue Funds		37,487	(30,749)	12,898	39,039
Capital Project Funds					
Total Fund Balances	170,022	74,910	65	250,898	368,369
Total Liabilities and Fund Balances	$ 289,488	$ 132,091	$ 43,293	$ 269,404	$ 396,740

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

Nonmajor	Total
$ 340,562	$ 552,716
199,868	797,284
33,936	90,543
5,518	103,574
3,129	8,992
14,953	65,253
139	139
70,313	156,482
42,462	42,720
19,516	27,215
3,347	19,264
795	1,372
$ 734,538	$ 1,865,554
$ 41,523	$ 159,757
31,693	64,723
1,121	1,406
41,367	86,248
161	579
47,374	60,671
33,936	90,543
197,175	463,927
9,481	68,572
3,347	19,264
78,922	78,922
28,443	28,443
45,370	51,499
	18,239
85,631	652,961
	43,398
	95,485
283,709	342,384
2,460	2,460
537,363	1,401,627
$ 734,538	$ 1,865,554

SouthDakota
GREAT FACES. GREAT PLACES.

STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 1,401,627
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:		
Land and Construction in Progress	881,920	
Infrastructure	3,075,133	
Other Capital Assets	588,525	
Accumulated Depreciation	(1,436,661)	
Total Capital Assets		3,108,917
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		20,101
Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		28,164
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	(324,991)	
Accrued Interest on Bonds	(8,541)	
Capital Leases	(21,519)	
Compensated Absences	(44,955)	
Unclaimed Property	(1,690)	
Workers Compensation	(213)	
Net OPEB Obligation	(3,851)	
Total Long-Term Liabilities		(405,760)
Net Assets of Governmental Activities		$ 4,153,049

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, 2008
(Expressed in Thousands)

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust
Revenue:					
Taxes	$ 898,282	$ 182,158	$	$	$
Licenses, Permits and Fees	6,414	4,068			
Fines, Forfeits and Penalties	562				
Use of Money and Property	26,308	1,875	25	(15,146)	(27,317)
Sales and Services	6,326	2,048			
Administering Programs	32	241,136	519,661		
Tobacco Settlement					
Other Revenue	15,223	427	3,075		
Total Revenue	953,147	431,712	522,761	(15,146)	(27,317)
Expenditures:					
Current:					
General Government	29,798			2,356	1,188
Education	27,314				
Education - Payments to School Districts	375,949				
Education - State Support to Universities	170,348				
Health, Human and Social Services	385,937		522,738		
Law, Justice, Public Protection and Regulation	131,075	16,795			
Agriculture and Natural Resources	16,073				
Economic Resources	12,159				
Transportation		392,749			
State Shared Revenue Paid to Other Governments	32,242				
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	1,180,895	409,544	522,738	2,356	1,188
Excess of Revenues Over (Under) Expenditures	(227,748)	22,168	23	(17,502)	(28,505)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	66	1,842	1		
Transfers In	250,031	3,844			
Transfers Out	(27,717)	(3,252)		(13,184)	(15,453)
Net Other Financing Sources (Uses)	222,380	2,434	1	(13,184)	(15,453)
Net Change in Fund Balances	(5,368)	24,602	24	(30,686)	(43,958)
Fund Balances at Beginning of Year, as restated	175,390	50,308	41	281,584	412,327
Fund Balances at End of Year	$ 170,022	$ 74,910	$ 65	$ 250,898	$ 368,369

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

Nonmajor	Total
$ 118,864	$ 1,199,304
165,507	175,989
10,579	11,141
12,132	(2,123)
25,511	33,885
461,362	1,222,191
27,616	27,616
7,490	26,215
829,061	2,694,218
43,089	76,431
167,613	194,927
1,800	377,749
	170,348
215,636	1,124,311
83,689	231,559
107,184	123,257
34,734	46,893
7,451	400,200
71,391	103,633
4,622	4,622
24,582	24,582
21,542	21,542
783,333	2,900,054
45,728	(205,836)
848	2,757
182,795	436,670
(251,932)	(311,538)
(68,289)	127,889
(22,561)	(77,947)
559,924	1,479,574
$ 537,363	$ 1,401,627

SouthDakota
GREAT FACES. GREAT PLACES.

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, 2008
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (77,947)
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	178,323	
Depreciation Expense	(79,103)	
Excess of Capital Outlay Over Depreciation Expense		99,220
The net effect of various miscellaneous transactions involving capital assets, including sales, donations and trade-ins is to decrease net assets.		(2,804)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond Principal Retirement	24,582	
Capital Lease Payments	926	
Total Long-Term Debt Repayment		25,508
Internal service funds are used by management to charge costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported in governmental activities.		(9,050)
Because some revenues will not be collected until several months after the state's fiscal year ends, they are not considered 'available' revenues and are deferred in the funds. Deferred revenues increased by this amount this year.		3,123
The issuance of bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond Issuance and Refunding Costs		(418)
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	(527)	
(Increase) Decrease in Compensated Absences	(1,571)	
(Increase) Decrease in Workers Compensation	41	
(Increase) Decrease in Unclaimed Property	(665)	
(Increase) Decrease in Net OPEB Obligation	(3,851)	
Total Additional Expenditures		(6,573)
Change in Net Assets of Governmental Activities		$ 31,059

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

STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 7,908	$ 905	$ 614	$ 97,437	$ 106,864	$ 48,011
Receivables:						
Interest and Dividends	137	1,676	1,230	853	3,896	500
Other Funds				304	304	7,231
Component Units				33	33	820
Other Governments		289	372	158	819	135
Loans and Notes (Net)		11,560	6,213	13,153	30,926	
Other (Net)	5,459	17	13	1,176	6,665	187
Investments			7,246		7,246	
Inventory				1,846	1,846	689
Securities Lending Collateral	651			6,324	6,975	4,274
Deferred Fiscal Charges and Other Assets		32	37	376	445	1,969
Total Current Assets	14,155	14,479	15,725	121,660	166,019	63,816
Restricted Assets:						
Restricted Cash		10	11		21	
Restricted Investments		374	948		1,322	
Other	938				938	
Investments		63,822	47,343		111,165	
Capital Assets:						
Land and Other Non-depreciable Assets				295	295	
Property, Plant and Equipment	952			7,247	8,199	82,303
Accumulated Depreciation	(937)			(4,992)	(5,929)	(57,346)
Construction in Progress					0	456
Total Capital Assets	15	0	0	2,550	2,565	25,413
Other Noncurrent Assets		146,954	106,848	32,149	285,951	
Total Assets	15,108	225,639	170,875	156,359	567,981	89,229
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	2,265	309	185	1,068	3,827	4,201
Payable To:						
Other Funds	5,536			181	5,717	2,306
Component Units					0	155
Escrow Payable	44				44	
Bonds, Notes and Leases Payable		2,639	1,789		4,428	3,952
Claims, Judgments and Compensated Absences	124	22	25	1,658	1,829	18,002
Accrued Interest Payable		1,127	971		2,098	
Deferred Revenue	184			1,829	2,013	7,059
Securities Lending Collateral Liability	651			6,324	6,975	4,274
Total Current Liabilities	8,804	4,097	2,970	11,060	26,931	39,949
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		71,774	59,323		131,097	5,500
Claims, Judgments and Compensated Absences	113	20	23	365	521	15,616
Total Noncurrent Liabilities	113	71,794	59,346	365	131,618	21,116
Total Liabilities	8,917	75,891	62,316	11,425	158,549	61,065
Net Assets						
Invested In Capital Assets, Net of Related Debt	15			2,550	2,565	15,961
Restricted For:						
Debt Service		385	959		1,344	
Other	938				938	
Unrestricted	5,238	149,363	107,600	142,384	404,585	12,203
Total Net Assets	$ 6,191	$ 149,748	$ 108,559	$ 144,934	$ 409,432	$ 28,164

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

STATE OF SOUTH DAKOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Operating Revenue:						
Licenses, Permits and Fees	$ 1,323	$	$	$ 9,217	$ 10,540	$
Use of Money and Property		3,614	2,714	1,685	8,013	55
Sales and Services	154,757	1,212	868	14,045	170,882	178,204
Administering Programs		2,954	7,970	126	11,050	
Assessments				33,484	33,484	
Other Revenue				514	514	1,366
Total Operating Revenue	156,080	7,780	11,552	59,071	234,483	179,625
Operating Expenses:						
Personal Services and Benefits	1,400	211	220	8,016	9,847	31,321
Travel	139	9	8	981	1,137	691
Contractual Services	7,280	277	201	8,276	16,034	29,230
Supplies and Materials	534	2	2	4,569	5,107	18,282
Other	44	1,385	290	366	2,085	
Interest		2,570	2,097		4,667	387
Depreciation/Amortization	15	32	37	422	506	8,139
Lottery Prizes	23,941				23,941	
Insurance Claims				31,691	31,691	103,115
Total Operating Expenses	33,353	4,486	2,855	54,321	95,015	191,165
Operating Income (Loss)	122,727	3,294	8,697	4,750	139,468	(11,540)
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets					0	506
Loss on Disposal of Assets				(14)	(14)	(71)
Interest Income	870	2,258	1,648	6,053	10,829	3,273
Other Expense	(66)			(353)	(419)	(243)
Grant and Other Income	161			207	368	
Total Nonoperating Revenue (Expenses)	965	2,258	1,648	5,893	10,764	3,465
Income (Loss) Before Transfers	123,692	5,552	10,345	10,643	150,232	(8,075)
Transfers:						
Transfers In				1,564	1,564	3,249
Transfers Out	(123,306)	(27)	(25)	(457)	(123,815)	(4,224)
Net Transfers In (Out)	(123,306)	(27)	(25)	1,107	(122,251)	(975)
Change in Net Assets	386	5,525	10,320	11,750	27,981	(9,050)
Net Assets at Beginning of Year	5,805	144,223	98,239	133,184	381,451	37,214
Net Assets at End of Year	$ 6,191	$ 149,748	$ 108,559	$ 144,934	$ 409,432	$ 28,164

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, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					
	Lottery	Clean Water State Revolving	Drinking Water State Revolving	Nonmajor	Total	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from Customers and Users	$ 155,678	$ 1,230	$ 875	$ 52,323	$ 210,106	$ 66,133
Receipts from Interfund Services Provided				3,675	3,675	113,402
Receipts from Federal Agencies		2,909	7,976	174	11,059	
Receipts from Loan Payments		14,663	10,595	8,105	33,363	
Payments to Suppliers and for Benefits and Claims	(7,225)	(1,626)	(194)	(44,383)	(53,428)	(138,582)
Payments for Employee Services	(1,382)	(216)	(201)	(6,409)	(8,208)	(30,742)
Payments for Interfund Services Used	(832)			(1,329)	(2,161)	(13,005)
Payments for Lottery Prizes	(23,784)				(23,784)	
Payments for Loans Originated		(14,686)	(13,995)	(8,323)	(37,004)	
Other Receipts (Payments)	282	(10)	(287)	207	192	122
Net Cash Provided (Used) by Operating Activities	122,737	2,264	4,769	4,040	133,810	(2,672)
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets	(12)			(168)	(180)	(3,832)
Sales of Capital Assets				10	10	1,237
Payments on Capital Lease Obligations						(3,730)
Net Cash Provided (Used) by Capital and Related Financing Activities	(12)	0	0	(158)	(170)	(6,325)
Cash Flows From Noncapital Financing Activities:						
Transfers In				1,649	1,649	1,360
Transfers Out	(123,402)	(27)	(25)	(541)	(123,995)	(4,224)
Received on Interfund Borrowing						820
Issuance of Bonds		21,960	18,040		40,000	
Payments on Bonds and Notes		(2,635)	(1,685)		(4,320)	
Bond Issuance Costs		(128)	(110)		(238)	
Interest Payments on Bonds and Notes		(2,345)	(2,028)		(4,373)	
Net Cash Provided (Used) by Noncapital Financing Activities	(123,402)	16,825	14,192	1,108	(91,277)	(2,044)
Cash Flows From Investing Activities:						
Investment Income	878	2,394	1,630	6,131	11,033	3,452
Purchase of Investment Securities		(42,215)	(39,065)		(81,280)	
Proceeds from the Sale and Maturity of Investments		17,400	6,606		24,006	
Security Lending Rebate Fees	(66)			(354)	(420)	(243)
Net Cash Provided (Used) by Investing Activities	812	(22,421)	(30,829)	5,777	(46,661)	3,209
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	135	(3,332)	(11,868)	10,767	(4,298)	(7,832)
Cash and Cash Equivalents at Beginning of Year	7,773	4,247	12,493	86,670	111,183	55,843
Cash and Cash Equivalents at End of Year	$ 7,908	$ 915	$ 625	$ 97,437	$ 106,885	$ 48,011

Continued on next page

STATE OF SOUTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Major					
	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)	$ 122,727	$ 3,294	$ 8,697	$ 4,750	$ 139,468	$ (11,540)
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense	15	32	37	422	506	8,139
Interest Expense		2,570	2,097	(5)	4,662	324
Miscellaneous Nonoperating Items	160			194	354	100
Decrease/(Increase) in Assets:						
Accounts Receivable	(387)	(17)	(13)	(63)	(480)	28
Interest, Dividends & Penalties Receivable		(27)	(5)	(26)	(58)	
Loans and Notes Receivable		(3,610)	(6,109)	(595)	(10,314)	
Due From Other Funds				(78)	(78)	(182)
Due From Component Units				(7)	(7)	(29)
Due From Other Governments		(27)	13	71	57	(30)
Inventory				(201)	(201)	217
Deferred Fiscal Charges and Other Assets				(291)	(291)	(105)
Other Restricted Assets	50				50	
Increase/(Decrease) in Liabilities:						
Accounts Payable	(23)	53	33	181	244	190
Accrued Liabilities	7		1	22	30	194
Compensated Absences Payable	11	(4)	18	34	59	281
Due To Other Funds	8			13	21	94
Due To Component Units						88
Deferred Revenue	53			(125)	(72)	283
Escrow Payable	4				4	
Policy Claim Liabilities				(256)	(256)	(724)
Other Liabilities	112				112	
Net Cash Provided (Used) by Operating Activities	$ 122,737	$ 2,264	$ 4,769	$ 4,040	$ 133,810	$ (2,672)
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets						435
Capital Lease Obligations Entered Into						(4,311)
Transfers In (Out) of Fixed Assets						1,906

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

STATE OF SOUTH DAKOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and Cash Equivalents	$ 7,531	$ 13,368	$ 47,606
Receivables:			
Employer	2,397		
Employee	4,867		
Benefits	68		
Unsettled Investment Sales	38,198		
Taxes Receivable			33,866
Due From Other Funds		108	59
Due From Other Governments			499
Investment Income	19,679	404	98
Other		1,006	516
Total Receivables	65,209	1,518	35,038
Investments, at Fair Value:			
Fixed Income	1,924,540		
Equities	3,819,930		
Real Estate	954,546		
Private Equity	721,472		
Pooled Investment Funds		130,744	
Total Investments	7,420,488	130,744	0
Securities Lending Collateral	323,113	6,824	
Properties, at Cost	78	14,118	
Accumulated Depreciation	(42)		
Other Assets	10	6	
Total Assets	7,816,387	166,578	$ 82,644
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,462	1,553	$ 30,306
Due To Other Funds	41	169	
Due To Other Governments			52,338
Compensated Absences Payable	229		
Securities Sold, But Not Yet Purchased, at Fair Value	90,628		
Unsettled Investment Purchases	40,501		
Securities Lending Collateral Liability	323,113	6,824	
Total Liabilities	456,974	8,546	$ 82,644
Net Assets			
Held in Trust For:			
Pension Benefits	7,359,413		
Individuals and Other Governments		158,032	
Total Net Assets	$ 7,359,413	$ 158,032	

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

STATE OF SOUTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employee	$ 91,979	$
Employer	89,766	
From Participants		326
From Clients and Inmates		8,474
Total Contributions	181,745	8,800
Investment Income:		
From Investing Activities		
Net Increase (Decrease) in Fair Value of Investments	(893,120)	(18,606)
Interest	77,881	
Dividends	113,577	
Real Estate	3,097	
Pooled Interest and Dividends		11,527
Investment Activity Income	(698,565)	(7,079)
Less Investment Activity Expenses	(30,765)	
Net Investment Activity Income	(729,330)	(7,079)
From Security Lending Activities		
Security Lending Income	22,067	1,081
Security Lending Expenses	(20,358)	(1,015)
Net Security Lending Activity Income	1,709	66
Net Investment Income (Loss)	(727,621)	(7,013)
Escheated Property		42
Miscellaneous Income		6,376
Total Additions	(545,876)	8,205
Deductions		
Benefits	276,099	
Refunds of Contributions	28,205	
Distribution to School Districts		8,771
Payments made for Trust Purposes		9,376
Administrative Expenses	3,547	1
Total Deductions	307,851	18,148
Net Increase (Decrease)	(853,727)	(9,943)
Net Assets Held In Trust Beginning of Year	8,213,140	167,975
End of Year	$ 7,359,413	$ 158,032

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

The State's major discretely presented component units are:

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

The State's nonmajor discretely presented component units are:

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

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

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

C. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary, Fiduciary, and Similar Component Units Financial Statements

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

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

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

The State reports the following major proprietary funds:

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

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

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

In addition, the State reports the following fund types:

Governmental Funds:

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

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

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

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

E. Budgetary Accounting

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

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

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

The State's annual budget is prepared on the cash basis of accounting. Encumbrance accounting is utilized to reserve a portion of the budget to future periods for payment of purchase orders, contracts and other commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Encumbrances at June 30, 2008 totaled $68,572,000.

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

Cash and Cash Equivalents and Investments

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

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Fair values for the fixed income securities are obtained from Bloomberg Financial Markets, Merrill Lynch, and Citigroup Global Markets. Domestic and Canadian equity security fair values are obtained from FT Interactive Data's IDSI Services, and foreign equity security values are obtained from HSBC Securities. Investments denominated in foreign currencies and foreign currency cash balances are translated into U.S. dollars using the year-end spot foreign currency exchange rates. Fair values of limited partnership investments are based on valuations on the underlying companies of the limited partnerships as reported by the general partner.

For alternative investments where no readily available market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon audited financial statements or other information provided by the underlying investment advisor.

Futures contracts are utilized to adjust the portfolio mix. The fair value of the equity securities futures position is determined using Standard & Poor's data. The fair value of the fixed income futures position is determined by using the U.S. Treasury note and bond contracts information and the Citigroup Broad Investment Grade Index. Changes in the fair value of these futures contracts are recognized as gains or losses in the period of change.

Receivables

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

Inventories

Inventories reported in the governmental fund types are reported at cost using the moving average cost method. Proprietary fund type inventories are valued at the lower of cost or market, using the moving average cost method. Inventories reported in the Higher Education component unit discrete presentation are reported at cost using the FIFO method, except livestock inventories, which are reported at June 30, 2008 market price. Inventories are expensed using the consumption method.

Federal commodities on hand are reported as inventories, offset by deferred revenue. Commodities are reported at fair value established by the federal government at the date received. At June 30, 2008, the commodities inventory was reported in the amount of $757,000.

Capital Assets

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

All land is capitalized regardless of cost. Land improvements are capitalized when the cost of the improvement is $50,000 or more. Buildings and building improvements are capitalized when the cost is $100,000 or more. Equipment is capitalized when the cost of individual items is $5,000 or more. Infrastructure assets are capitalized when the cost of the assets is $1,000,000 or more for governmental funds and fiduciary funds, and $50,000 or more for proprietary funds and component units. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

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

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

The State owns works of art and historical treasures that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. Works of art and historical treasures include items such as statues, monuments, historical documents, paintings, artifacts, etc. Higher Education, a business-type activity discretely presented component unit, adopted the State's policy on capitalizing historical treasurers and collections. The exceptions to this policy are the Memorial Art Center Collection at the South Dakota State University and the Oscar Howe paintings collection at the University of South Dakota, which were capitalized as of June 30, 1999. The collections are valued at the historical cost or estimated fair market value at the time of donation. The reported capitalized value of these collections was $7,643,545 and $375,585, respectively, as of June 30, 2008. All proceeds from the sale of items within these collections will be used to acquire other items for the collections.

Long-term Obligations

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

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

Net Assets/Fund Balances

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

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

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

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

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

Designations of fund balance represent tentative management plans that are subject to change. The 1991 South Dakota Legislature established a budget reserve funded from any unobligated cash in the General Fund. The maximum balance of the budget reserve is 10% of the prior year's General Fund appropriation. The balance in the budget reserve at June 30, 2008 was $43,398,000 and is reported as unreserved designated equity in the General Fund.

G. Compensated Absences

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

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

H. Lottery Security Deposits

State law requires video lottery operators to furnish security to the Lottery. Security may be in the form of a surety bond, deposit in cash, an irrevocable letter of credit, or a certificate of deposit issued by a South Dakota financial institution with the Lottery endorsed on it as a payee. As of June 30, 2008, the amount of certificate of deposits being held by the Lottery was $550,489 and is included in cash and cash equivalents on the balance sheet. The amount of $6,037,500 was in the form of surety bonds, deposits in cash, or irrevocable letters of credit and is not reported on the Statement of Net Assets.

I. Interfund Activity and Balances

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

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

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

2. ACCOUNTING CHANGES, RESTATEMENTS, AND RECLASSIFICATIONS

Restatements-Primary Government

The beginning fund balance for the Aeronautics Fund, reported as a non-major special revenue fund, was increased by $2,056,000 for the restatement of expenditures erroneously included within this fund in prior years.

The beginning net assets balance reported for governmental activities in the government-wide Statement of Activities was increased by $9,729,000 for the restatement of various capital assets.

Restatements-Component Units

The beginning net assets balance reported for Higher Education was decreased by $1,864,000 for the restatement of capital assets erroneously included in their previous financial statements as well as various other miscellaneous reporting errors of prior years.

Recently Issued Pronouncements

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

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

In November 2007, the GASB issued Statement 52, Land and Other Real Estate Held as Investments by Endowments. This statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. The requirements of GASB Statement No. 52 are effective for the State's fiscal year 2009 financial statements.

In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments. This statement establishes standards of accounting and financial reporting for all state and local governments that enter into derivative instruments as defined in this statement. The requirements of GASB Statement No. 53 are effective for the State's fiscal year 2010 financial statements.

In February 2009, the GASB issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes standards for accounting and financial reporting for all governments that report governmental funds. The requirements of GASB Statement No. 54 are effective for the State's fiscal year 2011 financial statements.

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

3. CASH, DEPOSITS, AND INVESTMENTS

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

Negative cash balances in funds participating in the Cash Flow Portfolio are reclassified at year-end as interfund payables. The cash and cash equivalents balance in the General Fund was reduced by $15,219,000 for deficit cash balances that existed in various state funds at June 30, 2008, and is reported as an interfund receivable.

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

A. Primary Government

Investments of the Primary Government are grouped into four categories, based upon investment objectives and risk. The first category is the Cash Flow Portfolio. This category represents the pooled public funds of the Primary Government (comprising 78% of the Cash Flow Portfolio) and discretely presented component units (comprising 22% of the Cash Flow Portfolio). Higher Education and the Science and Technology Authority are discretely presented component units and have deposits and investments in the Cash Flow Portfolio. Because of the pooled deposit and investment concept of the Cash Flow Portfolio, the discretely presented component units' share of the portfolio cannot be broken out separately for risk disclosure purposes. For risk disclosure purposes, their share of the Cash Flow Portfolio is included in the Primary Government. The second category is the Retirement Portfolios. This category represents the investments of the South Dakota Retirement System and the Cement Plant Retirement Fund. The third category is the Trust Portfolios. This category includes the portfolios of School and Public Lands, Dakota Cement Trust Fund, Education Enhancement Trust Fund and Health Care Trust Fund. The fourth category is Other Funds. This category represents funds that are not managed by the South Dakota Investment Council and includes Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, Drinking Water State Revolving Fund, Building Authority CREP Program and the Vocational Education Program.

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the State of South Dakota's deposits may not be returned to it. Deposits in excess of depository insurance must be 100% collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A-7. Collateral is required to be segregated by each depository as approved by the South Dakota Public Deposit Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. At June 30, 2008, pledged collateral for five depositories did not equal at least 100% of the total public deposits in excess of depository insurance. As a result, $154,119 of the Cash Flow Portfolio's certificates of deposit was exposed to custodial credit.

At June 30, 2008, the Retirement Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Retirement Portfolios were exposed to custodial credit risk of $16,331,294.

At June 30, 2008, the Trust Portfolios had bank balances in foreign currencies in various foreign countries. These deposits are not collateralized or covered by depository insurance. As a result, the Trust Portfolios were exposed to custodial credit risk of $3,284,959.

At June 30, 2008, 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 $318,492.

Investments

Custodial Credit Risk. At June 30, 2008, the following investments were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in South Dakota's name (expressed in thousands):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Total Investments	$	$ 1,245	$	$ 154,633
Security Lending Collateral	84,194	323,113	43,373	
Total Fair Value	$ 84,194	$ 324,358	$ 43,373	$ 154,633

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

	Cash Flow Portfolio		Retirement Portfolios		Trust Portfolios		Other Funds	
Investment Type	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.	Fair Value	Mod. Dur.
U.S. Treasuries	$ 67,662	1.42	$ 149,060	7.08	$ 22,165	8.99	$	
U.S. Treasury strips			51,476	14.77	2,500	9.91		
U.S. Treasury inflation protected securities					47,609	3.46		
U.S. agencies	250,459	1.82	120,394	6.63	18,952	7.52	11,478	.56
U.S. Government-backed loans					3,589	10.36		
Investment grade corporate	512,610	1.91	302,342	3.91	32,822	4.85		
High-yield corporates			192,514	4.39	3,976	5.00		
High-yield bond mutual fund					10,032	4.90		
Mortgage-backed securities			429,607	4.39	77,591	4.41		
Mutual funds			151,208					
Municipal bonds					118,112	5.06		
Investment agreements							143,155	11.29
Total	$ 830,731		$ 1,396,601		$ 337,348		$ 154,633	
Portfolio modified duration		1.84		4.67		5.15		10.49

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of South Dakota. SDIC policy establishes a percentage range and a normal allocation to various credit risk categories. The Cash Flow Portfolio actively managed portion can invest 4% of the portfolio into each corporate security rated Aaa or Aa, 2% in A-rated, 1% in Baa1 or Baa2, and .5% in individual holdings of corporate securities rating Baa3. The maximum overweight of Baa3 rated holdings versus the benchmark is 5% of the Cash Flow Portfolio. The SDIC sets the investment policy annually for the Trust Portfolios and the Retirement Portfolios. This policy establishes the average percentage invested in each asset category and the fund allocation range that each asset category can vary during the fiscal year. No formal credit risk policy exists for the Other Funds. As of June 30, 2008, 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):

	Cash Flow Portfolio	Retirement Portfolios	Trust Portfolios	Other Funds
Moody's Rating	Fair Value	Fair Value	Fair Value	Fair Value
Aaa	$ 330,507	$ 661,242	$ 143,166	$ 20,880
Aa	83,891	72,510	70,949	84,903
A	354,041	101,455	30,323	48,849
Baa	35,941	93,683	7,605	
Ba		109,487	3,451	
B		23,821	328	
Caa				
Ca				
C				
P-1			1,027	
Unrated		76,149	17,726	45,278
Total	$ 804,380	$ 1,138,347	$ 274,575	$ 199,910

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Retirement and Trust Portfolios' exposure to foreign currency risk is derived from their positions in foreign currency and foreign currency-denominated equity investments. The Retirement and Trust Portfolios do not hedge foreign currency back to U.S. dollars (to match the unhedged benchmark) but do allow hedging under certain circumstances when deemed appropriate by the State Investment Officer and portfolio manager. The Retirement and Trust Portfolios' exposure to foreign currency risk at June 30, 2008, are as follows (in U.S. dollar fair value, expressed in thousands):

	Retirement Portfolios				Trust Portfolios		
Currency	Equities U.S.Dollar Fair Value	Fixed Income U.S. Dollar Fair Value	Cash U.S Dollar Fair Value	Total	Equities U.S.Dollar Fair Value	Cash U.S Dollar Fair Value	Total
Australian Dollar	$ 2,181	$	$ 140	$ 2,321	$	$	$
Brazilian Real	1,322			1,322			
British Pound	283,975		1,267	285,242	17,782	145	17,927
Canadian Dollar	73,455		649	74,104			
Danish Kroner	295		36	331			
Euro	324,468	423	1,430	326,321	18,050	2,912	20,962
Hong Kong Dollar	3,446		44	3,490			
Indonesian Rupiah	216			216			
Japanese Yen	155,281		8,860	164,141	9,597	228	9,825
Korean Won	50,209			50,209			
Malaysian Ringgit	458			458			
New Zealand Dollar			1	1			
Norwegian Krone	4,517		21	4,538			
Singapore Dollar			1	1			
South African Rand	1,420			1,420			
Swedish Krona	13,437		4	13,441			
Swiss Franc	121,622		3,878	125,500	8,873		8,873
Taiwan Dollar	629			629			
Turkish Lira	757			757			
Russia	384			384			
Total Fair Value	$ 1,038,072	$ 423	$ 16,331	$ 1,054,826	$ 54,302	$ 3,285	$ 57,587

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, 2008 was $113,884,229. For the Retirement Portfolios, the total fair value of investments in real estate and private equity limited partnerships as of June 30, 2008 was $1,794,503,037. The total fair value of global equity investments managed by outside managers was $491,236,583. The total fair value of arbitrage equity investments managed by outside managers was $121,894,450.

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

Securities Lending Transactions

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

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

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

Derivative Financial Instruments in Primary Government

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

The SDIC purchases and sells financial and interest rate futures as a means of adjusting the SDRS portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2008 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
WTI Crude due August 2008	Short	94	$ (13,160)
WTI Crude due September 2008	Short	208	(29,120)
WTI Crude due October 2008	Short	46	(6,440)
WTI Crude due December 2008	Short	1,041	(145,740)
WTI Crude due December 2009	Short	134	(18,760)
WTI Crude due December 2010	Short	49	(6,860)

A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into such a contract, SDRS pledges cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange to the broker. Additionally, SDRS receives or pays a daily fluctuation in value of the contract. The use of futures contracts is subject to various market risks. The maximum amount at risk from the purchase (long position) of a futures contract is the contract value. The amount at risk from the sale (short position) of a futures contract depends upon the amount that the contract raises in value. Although short positions have theoretically no maximum risk, the SDRS short positions are hedged against the underlying portfolio to limit the exposure. Each WTI Crude contract is defined as 1,000 times the price of the West Texas Intermediate (WTI).

The hedging guidelines of the SDRS arbitrage portfolios managed by the SDIC provide that stock and other noncash considerations to be received may be hedged through the use of options, short sales, or when-and-if issued sales. The two arbitrage portfolios had short sales valued at $90,627,779 as of June 30, 2008. A short sale involves the sale of securities not yet owned, but borrowed through a broker to be later repurchased to cover the loan. The arbitrage portfolios use the short sales to hedge the disparities between the existing price of a security and the present value of considerations to be received as a result of restructuring or merger activity.

The SDIC also enters into foreign exchange forward contracts to hedge foreign currency transactions. These contracts are purchased to reduce the impact of foreign currency fluctuations. The SDIC does not engage in foreign currency speculation. The contracts do not subject SDRS to risk due to exchange rate movements as gains and losses on the contracts offset gains and losses on the transactions being hedged. The unrealized loss on foreign exchange forward contracts as of June 30, 2008 was $8,684,729. This amount does not include limited partnerships and certain global equity investments with outside managers, which may also enter into foreign exchange forward contracts.

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

In addition to the derivatives listed above, the SDRS fixed income portfolio also held mortgage-backed securities issued by the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). The fair value of these securities as of June 30, 2008 was $542,701,377. These securities may be subject to prepayment by the mortgagees, which may reduce the fair value of these securities. The SDIC is using this investment to enhance fixed returns.

Cement Plant Retirement Fund. The South Dakota Cement Plant Retirement Fund is a unit pension trust fund. Investment portfolio management is the statutory responsibility of the SDIC. The SDIC purchases and sells financial, interest rate and commodity futures as a means of adjusting the plan's portfolio mix and as a lower transaction cost substitute for transactions that would otherwise occur in the underlying portfolios. Futures contracts outstanding at June 30, 2008 were as follows (expressed in thousands):

	Open Positions	Contracts	Fair Value
WTI Crude due July 2008	Short	1	$ (140)
WTI Crude due August 2008	Short	2	(280)
WTI Crude due November 2008	Short	4	(560)

The Cement Plant Retirement Fund also held mortgage-backed securities in the form of GNMAs and FNMAs. The fair value of these securities as of June 30, 2008 was $3,435,242. The SDIC is using this investment to enhance fixed returns.

Trust Portfolios. The School and Public Lands, Dakota Cement Trust, Education Enhancement Trust, and Health Care Trust fixed income portfolios invest in mortgage-backed securities in the form of GNMAs and FNMAs. The fair value of these securities as of June 30, 2008 was $23,808,283, $38,101,285, $466,137 and $15,214,912, respectively. These securities are sensitive to prepayments by mortgagees, which is likely in declining interest rate environments, thereby reducing the fair value of these securities. The SDIC invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding the interest rate risks for these investments are included with the interest rate risk disclosures.

B. Component Units

Deposits

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. The component units do not have deposit policies for custodial credit risk. As of June 30, 2008 the component units had deposits that were not collateralized or covered by depository insurance in the amount of $533,858.

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, 2008, investments in the amount of $9,436,468 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the component unit's name.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units have limits on the maturities of investments for their restricted accounts. Investments of the Housing Development Authority Capital Reserve accounts must have an average maturity within 5 years, with 15% thereof within two years, from the date of purchase. Investments of the Mortgage Reserve accounts must mature within 5 years from the date of purchase. The Housing 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, these securities are considered highly sensitive to interest rate risk.

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

As of June 30, 2008, component units had investments maturing as follows (expressed in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**Greater than 10**
U.S. Treasuries bills	$ 2,572	$ 2,572	$	$	$
U.S. Treasuries notes	22,265		14,544	7,721	
U.S. Treasury strips	52			52	
U.S. Treasury bonds					
U.S. agencies	375,325	136,441	79,823	94,627	64,434
Mutual funds	160,676	160,521	155		
State Obligations	43,585	5,069	23,186	13,692	1,638
Investment agreements	190,561	31,357	153,182		6,022
Total	$ 795,036	$ 335,960	$ 270,890	$ 116,092	$ 72,094

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

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

As of June 30, 2008, the Housing Development Authority, Economic Development Finance Authority and the Board of Regent's investments had the following ratings (expressed in thousands):

Moody's Rating	**Fair Value**
AAA	$ 617,645
AA	21,488
A	8,211
Unrated	120,881
Total Fair Value	$ 768,225

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The component units place no limit on the amounts that they may invest in any one issuer. As of June 30, 2008, the following issuers held 5 % or more of the Housing Development Authority's investments: Federal Home Loan Bank (24.39%), Federal National Mortgage Association (10.60%), Federal Home Loan Mortgage Corporation (8.55%), Aegon (7.53%) and Pallas Capital Corporation Investment Agreement (11.87%).

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, 2008, are contained in the table below. The initial notional amounts of the swaps match the principal amounts of the associated debt. The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally 10 years after the date of issuance of the related bonds (expressed in thousands).

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating*	Fair Value
2003 C-1	$ 26,500	6/18/04	3.400%	57% of LIBOR plus 0.42%	5/01/2013	A1	$ (766)
2004 G	33,000	10/20/04	3.897%	63.4% of LIBOR plus 0.29%	5/01/2034	Aaa	(353)
2005 C	41,000	4/13/05	3.930%	63.3% of LIBOR plus 0.30%	5/01/2035	Aaa	(619)
2005 D	6,925	4/13/05	3.290%	57.3% of LIBOR plus 0.40%	5/01/2015	A1	(167)
2003 F	13,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa1	113
2003 I	28,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa1	237
2004 C	34,000	6/21/05	3.745%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa1	290
2005 G	25,000	7/19/05	3.773%	63.8% of LIBOR plus 0.29%	5/01/2035	Aaa	78
2006 C	45,000	6/14/06	4.419%	64% of LIBOR plus 0.29%	5/01/2037	Aaa	(2,638)
2007 I	34,000	10/16/07	4.143%	63.8% of LIBOR plus .30%	5/01/2038	A1	(1,428)
2008 C	50,000	3/26/08	3.420%	63.7% of LIBOR Plus .30%	5/01/2039	Aaa	856

* Moody's Investors Service

The fair values presented above were estimated by the Authority's counterparty to the swaps. The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2008. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks

Credit Risk. The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure to its counterparties when the swap positions have a positive value.

Basis Risk. The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one-month, taxable LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the year ended June 30, 2008, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 3.02% per annum, while the weighted average interest rate on the swaps was 3.04% per annum. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one-month, taxable LIBOR rate.

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

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

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

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2008 (expressed in thousands):

Year End June 30	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap – Net	Total
2009	$	$ 5,670	$ 6,648	$ 12,318
2010		5,670	6,648	12,318
2011		5,670	6,648	12,318
2012		5,670	6,648	12,318
2013		5,670	6,578	12,248
2014-2018		28,351	30,825	59,176
2019-2023		28,351	30,637	58,988
2024-2028	9,645	28,292	30,562	68,499
2029-2033	116,180	24,648	26,782	167,610
2034-2038	204,295	5,795	6,869	216,959
2039	6,305	81	77	6,463
Total	$ 336,425	$ 143,868	$ 158,922	$ 639,215

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

A. Receivables - Net

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

	Governmental Activities							
	General Fund	Trans-portation Fund	Social Services Federal Fund	Dakota Cement Trust Fund	Education Enhancement Trust Fund	Non-major Governmental Funds	Internal Service Funds	Total
Taxes Receivable	$ 96,380	$ 7,426	$	$	$	$ 5,639	$	$109,445
Allowance	(5,735)	(15)				(121)		(5,871)
Accounts Receivable	2,501	376	767	3,186	2,128	21,376	187	30,521
Allowance	(1,051)	(208)				(1,860)		(3,119)
Due From Other Governments	769	42,977	42,423			70,313	135	156,617
Interest Receivable	3,530	310	3	662	1,358	3,129	500	9,492
Current Loans and Notes		179				2,254		2,433
Allowance						(155)		(155)
Non-current Loans and Notes		79				40,423		40,502
Allowance						(60)		(60)
Due From Fiduciary Funds	23					123	41	187
Receivables, net	$ 96,417	$ 51,124	$ 43,193	$ 3,848	$ 3,486	$ 141,061	$ 863	$339,992

	Business-type Activities				
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Non-major Enterprise Funds	Total
Accounts Receivable	$ 5,472	$ 17	$ 13	$ 3,381	$ 8,883
Allowance	(13)			(2,205)	(2,218)
Due From Other Governments		289	372	158	819
Interest Receivable	137	1,676	1,230	853	3,896
Current Loans Receivable		11,560	6,213	13,436	31,209
Allowance				(283)	(283)
Noncurrent Loans Receivable		146,408	106,261	33,547	286,216
Allowance				(1,399)	(1,399)
Due From Fiduciary Funds				23	23
Receivables, net	$ 5,596	$ 159,950	$ 114,089	$ 47,511	$ 327,146

B. Accounts Payable and Other Current Liabilities

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

	Governmental Activities					
	General Fund	Transportation Fund	Social Services Federal Fund	Non-major Governmental Funds	Internal Service Funds	Total
Payroll and Withholdings	$ 10,823	$ 4,108	$ 1,596	$ 7,929	$ 1,977	$ 26,433
Accounts Payable	9,071	38,566	3,720	26,574	2,224	80,155
Medicaid Claims	20,591		28,888	7,020		56,499
Due to Other Governments	2,647	4,777	107	27,132		34,663
Shared Revenue Distribution	37,350			14,235		51,585
Claims Payable					11,912	11,912
Due to Fiduciary Funds	110			45		155
Total	$ 80,592	$ 47,451	$ 34,311	$ 82,935	$ 16,113	$ 261,402

	Business-type Activities				
	Lottery Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund	Nonmajor Enterprise Funds	Total
Payroll and Withholdings	$ 91	$ 13	$ 13	$ 486	$ 603
Accounts Payable	1,609	296	172	582	2,659
Due to Fiduciary Funds				12	12
Escrow Payable	44				44
Claims Payable				1,250	1,250
Other Liabilities	565				565
Total	$ 2,309	$ 309	$ 185	$ 2,330	$ 5,133

5. INTERFUND TRANSACTIONS

The composition of interfund balances at June 30, 2008 is as follows (expressed in thousands):

A. Interfund Receivables and Payables

	Due From									
Due To	General Fund	Transportation Fund	Social Services Federal	Education Enhancement Fund	Non-major Governmental Funds	Lottery Fund	Non-major Enterprise Funds	Internal Service	Fiduciary	Total
General Fund	$	$	$ 7,578	$ 15,453	$ 12,263	$ 343	$ 2	$ 826	$ 23	$ 36,488
Transportation Fund	6		21		1,249			502		1,778
Social Services Fund					34					34
Non-major Governmental Funds	740	36	217		3,409	5,121	30	254	123	9,930
Non-major Enterprise Funds	42	3	26		157			53	23	304
Internal Service Funds	2,170	1,026	648		2,465	72	138	671	41	7,231
Fiduciary Funds	111				45		11			167
Total	$ 3,069	$ 1,065	$ 8,490	$ 15,453	$ 19,622	$5,536	$ 181	$ 2,306	$ 210	$ 55,932

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

Advances between funds also existed at June 30, 2008, which are not shown in the above table. These are amounts owed between funds that are not due within one year. In fiscal year 2008, advances include $201,000 due from the Aeronautics Fund, reported as a non-major governmental fund, to the General Fund for the reimbursement of state aircraft maintenance costs, $12,000,000 due from the General Fund to the Parks and Recreation Fund, reported as a non-major governmental fund, for improvements to Custer State Park, and $4,822,000 from the Energy Conservation Fund, reported as a non-major governmental fund, to the General Fund and the Veteran's Home Fund reported as a non-major governmental funds for energy conservation projects.

B. Interfund Transfers

	Transferred To					
Transferred From	General Fund	Transportation Fund	Non-major Governmental Funds	Non-Major Enterprise Funds	Internal Service Funds	Total
General Fund	$	$ 72	$ 24,800	$ 1,502	$ 1,343	$ 27,717
Transportation Fund	2,110		1,142			3,252
Dakota Cement Trust Fund	13,184					13,184
Education Enhancement Trust Fund	15,453					15,453
Non-major Governmental Funds	208,163	3,647	40,060	62		251,932
Lottery Fund	7,089	125	116,092			123,306
Clean Water State Revolving Fund			27			27
Drinking Water State Revolving Fund			25			25
Non-major Enterprise Fund	24		433			457
Internal Service Funds	4,008		216			4,224
	250,031	3,844	182,795	1,564	1,343	439,577
Transfers of Capital Assets From General Capital Assets To Internal Service Funds						1,906
Total	$ 250,031	$ 3,844	$ 182,795	$ 1,564	$ 1,343	$ 441,483

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 the fund financial statements, total transfers in are $1,906,000 higher than total transfers out because of the treatment of assets transferred between proprietary funds and governmental funds. No amounts were reported in the governmental fund financial statements because the amount did not involve the transfer of financial resources.

In fiscal year 2008, $170,348,000 of General Fund appropriations was used to support state-run universities, which are reported under Higher Education, a component unit. The amounts are reported as expenditures in the Governmental Fund Balance Sheet and as expenses in the governmental activities column of the Statement of Activities. They are reported as revenues in the component unit's column of the Statement of Activities.

6. CAPITAL ASSETS

A. Primary Government

Capital Assets consisted of the following for fiscal year 2008 (expressed in thousands):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 75,229	$ 26,820	$ 1,540	$ 100,509
Land Improvements	3,375			3,375
Land Improvements - Roads	581,491	4,852		586,343
Construction in Progress	223,449	145,196	176,496	192,149
Total Capital Assets Not Being Depreciated	883,544	176,868	178,036	882,376
Capital Assets Being Depreciated:				
Land Improvements	14,478	390		14,868
Buildings	338,675	16,609	120	355,164
Equipment	175,163	17,215	8,279	184,099
Vehicles	110,912	13,246	7,987	116,171
Infrastructure	2,964,367	165,423	54,657	3,075,133
Total Capital Assets Being Depreciated	3,603,595	212,883	71,043	3,745,435
Less: Accumulated Depreciation for:				
Land Improvements	4,310	706		5,016
Buildings	122,073	9,230	261	131,042
Equipment	94,823	14,305	7,222	101,906
Vehicles	62,273	9,921	7,059	65,135
Infrastructure	1,167,036	53,211	29,865	1,190,382
Total Accumulated Depreciation	1,450,515	87,373	44,407	1,493,481
Total Capital Assets Being Depreciated, Net	2,153,080	125,510	26,636	2,251,954
Total Governmental Activities, Net	$ 3,036,624	$ 302,378	$ 204,672	$ 3,134,330

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated:				
Land	$ 295	$	$	$ 295
Total Capital Assets Not Being Depreciated	295			295
Capital Assets Being Depreciated:				
Land Improvements	924			924
Buildings	4,008			4,008
Equipment	3,178	225	136	3,267
Total Capital Assets Being Depreciated	8,110	225	136	8,199
Less: Accumulated Depreciation for:				
Land Improvements	457	29		486
Buildings	2,676	81		2,757
Equipment	2,443	396	153	2,686
Total Accumulated Depreciation	5,576	506	153	5,929
Total Capital Assets Being Depreciated, Net	2,534	(281)	(17)	2,270
Total Business-type Activities, Net	$ 2,829	$ (281)	$ (17)	$ 2,565

Depreciation was charged to the function of government as follows:

	Amount
Governmental Activities	
Unallocated	$ 58
General Government	10,601
Health and Human Services	2,410
Law, Justice, and Public Protection	6,926
Agriculture and Natural Resources	2,761
Transportation	63,447
Education	1,070
Economic Resources	100
Total Governmental Activities	$ 87,373
Business-type Activities	
Enterprise Funds	$ 506

B. Component Units

Capital Assets for Component Units consisted of the following for fiscal year 2008 (expressed in thousands):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Higher Education:				
Capital Assets Not Being Depreciated:				
Land	$ 11,170	$ 99	$	$ 11,269
Construction in Progress	73,166	50,907	45,306	78,767
Works of Art and Historical Treasures	7,972	47		8,019
Total Capital Assets Not Being Depreciated	92,308	51,053	45,306	98,055
Capital Assets Being Depreciated:				
Land Improvements	40,885	4,367	50	45,202
Buildings	415,940	49,061	611	464,390
Equipment and Other Assets	182,160	13,661	3,195	192,626
Total Capital Assets Being Depreciated	638,985	67,089	3,856	702,218
Less: Accumulated Depreciation for:				
Land Improvements	19,847	1,505	50	21,302
Buildings	178,577	12,203	413	190,367
Equipment and Other Assets	132,336	11,042	2,863	140,515
Total Accumulated Depreciation	330,760	24,750	3,326	352,184
Total Capital Assets Being Depreciated, Net	308,225	42,339	530	350,034
Total Higher Education Capital Assets, Net	400,533	93,392	45,836	448,089
South Dakota Housing Development Authority:				
Capital Assets Not Being Depreciated:				
Land	220			220
Construction in Progress		368		368
Total Capital Assets Not Being Depreciated	220	368	0	588
Capital Assets Being Depreciated:				
Equipment	3,737	122	45	3,814
Less: Accumulated Depreciation for:				
Equipment	2,654	231		2,885
Total Capital Assets Being Depreciated, Net	1,083	(109)	45	929
Total Housing Authority Capital Assets, Net	1,303	259	45	1,517
Science and Technology Authority:				
Capital Assets Not Being Depreciated:				
Land	1,524	4		1,528
Underground Mine	10,891			10,891
Construction in Progress	977	9,811	223	10,565
Total Capital Assets Not Being Depreciated	13,392	9,815	223	22,984
Capital Assets Being Depreciated:				
Buildings	7,812	6		7,818
Improvements Other Than Buildings	11			11
Equipment	164	535		699
Total Capital Assets Being Depreciated	7,987	541	0	8,528
Less: Accumulated Depreciation for:				
Buildings	251	203		454
Improvements Other Than Buildings	2	2		4
Equipment	35	71		106
Total Accumulated Depreciation	288	276	0	564
Total Capital Assets Being Depreciated, Net	7,699	265	0	7,964
Total Science and Technology Authority Capital Assets, Net	21,091	10,080	223	30,948
Total Discretely Presented Component Units, Net	$ 422,927	$ 103,731	$ 46,104	$ 480,554

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, 2008 are as follow (expressed in thousands):

	Amount
Primary Government	
Governmental Activities	
Land Improvements	$ 826
Buildings and Structures	18,012
Equipment	1,089
Infrastructure	171,838
Total Primary Government	$ 191,765
Discretely Presented Component Units	
Higher Education	
Land Improvements	$ 3,995
Buildings and Structures	74,487
Equipment	285
South Dakota Housing Development Authority	
Buildings and Structures	368
Science and Technology Authority	
Land Improvements	9,713
Buildings and Structures	852
Total Discretely Presented Component Units	$ 89,700

7. RETIREMENT PLANS

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

As of June 30, 2008, the number of participating governmental employers was:

School Districts	176
State of South Dakota	1
Board of Regents	1
Municipalities	145
Counties	64
Boards and Commissions	87
Total Employers	474

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

Investments are carried at fair value to properly reflect the asset values of the fund at June 30, 2008. Fair values were determined based on closing market prices at June 30, 2008 for those securities traded on national and international stock exchanges and at the average of bid-and-asked quotations for those securities traded in the over-the-counter market. Investments not traded on any exchange are valued at fair value based on estimates made by management. The value of foreign securities in foreign currency amounts is expressed in U.S. dollars at the closing daily rate of exchange. Purchases and sales are recorded as of the trade date.

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

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

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

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

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

All participating employers are required to contribute an amount equal to the member's contributions. Members may make an additional contribution of 1.2% of compensation for optional spouse coverage.

Contributions during fiscal year 2008 totaling $181,744,592 ($91,978,502 employee and $89,766,090 employer) were made in accordance with statutory rates. These contributions represent 13.3% of current year covered payroll for all participating units. The employee contributions exceed the employer contributions because of optional spouse coverage contributions and employee service purchase payments. The employer contributions for fiscal years 2007 and 2006 were $85,361,762 and $80,829,338 respectively.

SDRS is funded by fixed member and employer contributions at a rate established by state law. On an annual basis, an independent actuarial valuation of SDRS is made to determine the adequacy of the fixed contractually-required contributions to pay the normal cost, expenses and amortize the frozen unfunded actuarial accrued liability. The June 30, 2008 actuarial valuation of the plan determined that the contractually-required employer contributions equal the requirements for the annual required contribution of the employers under GASB Statement No. 25.

SDRS allows participating entities to pay their deferred contributions for funding of accrued benefits over periods of up to 20 years and members to pay for the purchase of certain prior service over periods of up to 10 years. Interest is charged at rates of 5% to 8%. As of June 30, 2008, deferred contribution payments will be received as follows (expressed in thousands):

Year Ending June 30	Employees
2009	$ 994
2010	627
2011	451
2012	338
2013	266
Later	234
	2,910
Less interest	454
Total	$ 2,456

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

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

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

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

Investments are carried at fair value which is based on the quoted market price of each investment traded on stock exchanges. Interest and dividends are accrued in the period they are earned. The unrealized appreciation or depreciation in the current value of the investments held at June 30, 2008 and the realized gain or loss on sales of investments during the period then ended are determined using the average cost of the investments. At June 30, 2008 the fair value of net assets held in trust for pension benefits was $47,306,824.

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

Financial statements are not available from the insurance company. The latest actuarial information available is as of July 1, 2008. The following actuarial information covers all employees of the active life plan, plus any cost-of-living increases granted to retired life plan participants after January 1, 1987.

For the fiscal year ended June 30, 2008 (most recent actuarial valuation date), the payroll and contributions for employees covered by the plan was $1,695,507 and $44,480, respectively. On June 30, 2008 participants in the plan consisted of the following:

Active Participants	42
Vested Terminated Participants	7
Retired Participants and Beneficiaries	211

Investments are carried at fair value to properly reflect asset values at June 30, 2008. Contributions are made by active life plan participants at 5% of their salaries. No future employer contributions are expected to be required, based on the actuarial assumptions used. The following is a schedule of funding progress (expressed in thousands):

Fiscal Year Ended June 30	Actuarially Net Assets Available For Benefits	Entry Age Normal Assets in Accrued Liability (AAL)	Percent Funded (1)/(2)	Annual Excess of AAL (1)-(2)	Annual Covered Payroll	Assets in Excess Of AAL as a Percent of Covered Payroll (4)/(5)
1999	$ 57,211	$ 42,559	134.4%	$ 14,652	$ 3,264	448.9%
2000	59,370	44,456	133.5	14,914	3,036	491.3
2001	56,174	45,540	123.4	10,634	2,948	360.7
2002	57,914	46,442	124.7	11,472	2,957	388.0
2003	56,633	47,386	119.5	9,247	2,758	335.3
2004	62,477	48,597	128.6	13,880	2,717	510.8
2005	66,065	49,885	132.4	16,180	2,698	599.8
2006	69,259	52,534	131.8	16,725	2,254	742.1
2007	76,357	53,395	143.0	22,962	2,010	1,142.2
2008	68,209	54,703	124.7	13,506	1,696	796.6

8. DEFERRED COMPENSATION PLAN

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

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

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

9. SPECIAL PAY PLAN

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

Of the $13,674,788 net assets available for plan benefits at June 30, 2008, $8,016,971 was held in trust for employees of the State while the remaining $5,657,817 represents the assets held in trust for employees of other jurisdictions. The assets of the special pay plan are not included in the accompanying financial statements because the assets are remitted to a third-party who administers and markets the plan for the participants.

10. OTHER POST EMPLOYMENT BENEFITS

The State of South Dakota implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45) during the year ended June 30, 2008.

Plan Description: In accordance with Administrative Rules 55:03:04 other postemployment benefits (OPEB) are available to health plan retirees that are receiving a retirement benefit from the South Dakota Retirement System. In order to receive an SDRS benefit, the retiree must be at least age 55 with three years of service. Certain Public Safety employees qualify for SDRS at age 45 with three years of service.

Pre-Medicare retirees are eligible to be covered under the same medical plans that are provided to active employees as authorized by SDCL 3-12A-2 until the age of 65. However, retirees must contribute towards the cost of this coverage based on the contribution scale determined by the South Dakota Bureau of Personnel. Dependants at the time of retirement can continue to be covered during retirement for as long as they are eligible as dependents under the plan and contribute towards the cost of the coverage. Although the retirees generally must pay 100% of the premium rate, GASB 45 requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.

The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in that plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State operates an agent multiple defined employer retiree benefit plan which provides medical insurance benefits for retirees. There were 796 retirees as of June 30, 2008. The State has a self–insured health plan with the choice of three different deductibles for the participants to choose from.

Funding Policy: The contribution requirements of the plan participants are established by the Bureau of Personnel. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 3.0% discount rate. For year ending June 30, 2008, the state's ARC is $9,429,305.

The following table shows the components of the state's annual OPEB cost for the year, the amount contributed to the plan, and the changes to the state's net OPEB obligation. Because Higher Education is a discretely presented component unit that contributes 35% of the revenue for active employees 35% of the Net OPEB Obligation was reported by Higher Education.

Annual Required Contribution (ARC)	$	9,429,305
Interest on Net OPEB Obligation (NOO)		
Amortization Adjustment to ARC		
Annual OPEB Cost (Expense)		9,429,305
Contributions		(3,504,756)
Increase in Net OPEB Obligation (NOO)		5,924,549
NOO, Beginning Balance		
NOO, Ending	$	5,924.549

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to this plan, and the net OPEB obligation for FY 2008 (the only year available) is as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$9,429,305	37.17%	$5,924,549

Funded Status and Funding Progress: As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $76.4 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll for active employees was $591.3 million and the ratio of the UAAL to the covered payroll was 12.92%.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2007 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumption included a 3.0% discount rate based on the estimated long-term investment yield on the general assets of the State. The annual medical trend rate is assumed to grade from 8.33 percent to 5.0 percent in 2012 and to remain at that level for all future years. This trend curve reflects current general medical trend and an assumption that trend rates will gradually lower over the next 5 years.

Mortality rates are from the 1995 Buck Mortality Table for males and females.

The UAAL is being amortized on an open, level dollar basis over 30 years.

The following is a schedule of funding progress (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (ALL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2007	$0	$76,406,237*	$76,406,237	0%	$591,271,605	12.92%

* The projected unit credit actuarial cost method is used to calculate the actuarial accrued liability and the annual required contribution.

11. COMMITMENTS

Construction and Other Commitments: At June 30, 2008 the Department of Transportation had contractual construction commitments of $215,944,567 for various highway projects and maintenance commitments (including stockpile) of $3,796,219. Financing for these future expenditures will be primarily from approved federal grants and highway use taxes.

The Department of Environment and Natural Resources had construction and other contractual commitments of $108,611,219 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	$46,814,191
Drinking Water State Revolving Fund	$33,700,009
Water and Environment Fund Program	$18,029,555
Federal Funds	$10,067,464

The Building Authority has contracts and other construction commitments of $44,468,732.

The South Dakota Housing Development Authority had commitments to purchase home-ownership mortgage loans aggregating approximately $57,347,457. Financing for these commitments will be from home-ownership mortgage bonds.

The Department of Tourism and State Development had construction and other contractual commitments of $38,425,940. Financing for these future expenditures will be from approved federal grants, bond issuances, from a previous 1% sales tax, and an employer's investment in South Dakota's future fee. These commitments relate to the following funds/programs:

Revolving Economic Development Initiative (REDI) Fund Grants/Loans	
Value-Added Agriculture Sub Fund	$ 487,092
REDI Fund Loans	$ 16,262,590
SD Economic Development Authority	$ 325,000
Economic Development Finance Authority, Agriculture Processing and Export Program (APEX)	$ 425,000
Community Development Block Grant (CDBG)	$ 11,896,277
Future Fund Program	$ 6,465,747
Energy Loans	$ 2,564,234

The Petroleum Release Compensation Fund has commitments of $2,500,000.

The State of South Dakota, acting through the Department of Environment and Natural Resources, has contracted with the United States Environmental Protection Agency for participation in the reclamation and remediation of the former Gilt Edge Brohm Mine in Lawrence County. The State is required by law to pay 10% of the final costs of reclamation and remediation of the site, originally estimated to be $45 million. The State's contribution to the costs of reclamation and remediation will come from the sums expended from the Regulated Response Fund and from the cash deposit contributed by Brohm, together with interest earned on the cash deposit. The State has already spent approximately $2.5 million from the Regulated Response Fund. The State had a cash balance of approximately $6.39 million as of June 30, 2008 available for reclamation costs from the cash deposited by Brohm. After reclamation is completed, and after a holding period by the United States, the State will take control of the site and pay 100% of the ongoing water treatment costs. Costs incurred when the State takes control of the site cannot be anticipated at this time because the final cleanup action has not been determined yet.

The South Dakota Science and Technology Authority had a contractual commitment of $7,320,577 for the Homestake Mine re-entry project (Ross Shaft).

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 $10,353,000 at June 30, 2008. The Workers' Compensation Fund liability at June 30, 2008 and the changes to the liability during fiscal years ended June 30, 2008 and 2007 listed on the following page were as follows (expressed in thousands):

	FY2008	FY2007
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 15,515	$ 14,140
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	3,383	1,314
Changes in provision for insured events of prior fiscal years	(2,205)	3,712
Total incurred claims and claim adjustment expenses	1,178	5,026
Payments		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	837	882
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	2,609	2,769
Total payments	3,446	3,651
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 13,247	$ 15,515

B. Health and Life Insurance

The State (rather than an insurance carrier) assumes substantially all risk associated with claims of covered public employees for health insurance and life insurance benefits (an insurance carrier, however, provides claims administration services for health insurance). The health and life insurance programs are accounted for in the Self-Insurance Fund, reported as an internal service fund. "Premiums" are charged to state funds for all covered employees. Employees may purchase varying levels of health and/or life coverage for their spouses and/or dependents. Claims payable for health insurance is reported using an actuarial estimate based on historical experience that includes actual claims submitted as well as claims incurred, but not reported. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. Claims expenses and liabilities for life insurance are reported using a case-by-case review of claims. Allocated claim adjustment expenses are uncommon and immaterial. Unallocated claim adjustment expenses are not included. At the end of fiscal year 2008, $725,000 of the net assets balance in the Self-Insurance Fund was designated for future catastrophic losses relating to life insurance. The health and life insurance programs liability at June 30, 2008 and the changes to the liability during fiscal years ended June 30, 2008 and 2007 were as follows (expressed in thousands):

	Health Insurance		Life Insurance	
	FY2008	FY2007	FY2008	FY2007
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 9,988	$ 9,137	$ 340	$ 430
Incurred claims and claim adjustment expenses	85,757	80,562	3,193	3,881
Payments:				
Claims and claim adjustment expenses attributable to insured events of current fiscal year	75,175	70,574	2,554	3,541
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	9,988	9,137	340	430
Total payments	85,163	79,711	2,894	3,971
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 10,582	$ 9,988	$ 639	$ 340

C. Public Entity Pool for Liability

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

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

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, based on historical experience. Allocated claim adjustment expenses are included in the determination of claims payable. Unallocated claim adjustment expenses are not included. Estimated recoveries on unsettled and/or settled claims reduce claims liability and are considered in the actuarial estimate. At the end of fiscal year 2008, $4,590,000 of the net assets balance in the PEPL Fund was designated for future catastrophic losses. The PEPL Fund liability at June 30, 2008 and the changes to the liability during fiscal years ended June 30, 2008 and 2007 were as follows (expressed in thousands):

	FY2008	FY2007
Unpaid claims and claim adjustment expenses at beginning of fiscal year	$ 3,478	$ 3,198
Incurred claims and claim adjustment expenses		
Provision for insured events of current fiscal year	405	149
Changes in provision for insured events of prior fiscal years	2,038	1,215
Total incurred claims and claim adjustment expenses	2,443	1,364
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	225	193
Claims and claim adjustment expenses attributable to insured events of prior fiscal year	1,626	891
Total payments	1,851	1,084
Unpaid claims and claim adjustment expenses at end of fiscal year	$ 4,070	$ 3,478

D. Risk Management

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

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, 2008 (expressed in thousands):

Year Ending June 30,	Primary Government	Component Units
2009	$ 5,370	$ 1,617
2019	4,643	1,291
2011	4,280	948
2012	3,578	711
2013	2,518	1,308
2014-2018	7,197	2,300
2019-2023	1,569	887
2024-2028	1,045	
2029-2033	65	
Total Minimum Payments	$ 30,265	$ 9,062

The total rental expenses for all operating leases for the fiscal year ended June 30, 2008 was $14,262,091 for the primary government and $2,842,552 for component units.

14. LONG-TERM LIABILITIES

Long-term obligations at June 30, 2008 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	$ 326,308	$	$ (21,722)	$ 304,586	$ 8,691
Less Unamortized Discount	(2,235)		93	(2,142)	(5)
Less Deferred Loss on Refunding	(1,304)		252	(1,052)	(253)
Add Unamortized Premium	1,481		(210)	1,271	209
Net Revenue Bonds	324,250		(21,587)	302,663	8,642
Trust Certificates	29,730		(2,860)	26,870	2,435
Compensated Absences	47,812	34,001	(31,892)	49,921	26,301
Policy Claims Liability	3,478	2,443	(1,850)	4,071	1,406
Workers Compensation	15,771	1,205	(3,515)	13,461	2,405
Capital Leases	30,992	4,311	(4,332)	30,971	5,539
Escheat Property	2,329	2,724	(2,492)	2,561	871
Net OPEB Obligation		6,129	(2,278)	3,851	
Total Governmental Activities	$ 454,362	$ 50,813	$ (70,806)	$ 434,369	$ 47,599
Business-type Activities					
Revenue Bonds	$ 98,760	$ 40,000	$ (4,320)	$ 134,440	$ 4,475
Less Unamortized Discount	(105)		9	(96)	(9)
Less Deferred Loss on Refunding	(1,045)		167	(878)	(167)
Add Unamortized Premium	2,188		(129)	2,059	129
Net Revenue Bonds	99,798	40,000	(4,273)	135,525	4,428
Compensated Absences	1,064	709	(673)	1,100	579
Total Business-type Activities	$ 100,862	$ 40,709	$ (4,946)	$ 136,625	$ 5,007
Component Units					
Revenue Bonds	$ 2,022,685	$ 508,412	$ (410,679)	$ 2,120,418	$ 144,928
Less Deferred Loss on Refunding	(3,800)	(76)	299	(3,577)	(139)
Add Unamortized Premium	16,592	3,866	(3,581)	16,877	227
Net Revenue Bonds	2,035,477	512,202	(413,961)	2,133,718	145,016
Trust Certificates	545		(255)	290	290
Compensated Absences	31,574	13,931	(10,011)	35,494	9,935
Capital Leases	2,298	714	(1,244)	1,768	873
Rural Development Loans	3,774	426	(157)	4,043	191
Federal Portion of Perkins Loan Program	34,988	1,241		36,229	
Net OPEB Obligation		3,300	(1,226)	2,074	
Other Liabilities	817		(27)	790	
Total Component Units	$ 2,109,473	$ 531,814	$ (426,881)	$ 2,214,406	$ 156,305

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, 2008 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
1996A	2016	5.100%-5.950%	$ 12,641
1996C	2009	5.100%-5.250%	1,380
1999	2019	4.500%-5.125%	1,001
2003	2015	2.500%-5.000%	833
2005B	2026	3.000%-5.000%	7,620
2006A	2026	4.250%-5.000%	12,547
2006B	2013	4.000%-5.000%	24,650
2006C	2013	5.550%	1,205
2007	2032	4.250%-5.000%	5,731
Add Unamortized Premium			1,271
Less Unamortized Discount			(62)
Less Deferred Loss on Refunding			(1,052)
Total Bonds			67,765
Trust Certificate Series:			
1991 (A&B)	2016	6.500%-6.750%	6,330
1993 (A&B)	2017	6.375%-6.700%	20,540
Total Trust Certificates			26,870
Total			$ 94,635

As of June 30, 2008, debt service requirements for principal and interest for the SDBA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2009	$ 11,126	$ 4,474	$ 15,600
2010	11,148	3,891	15,039
2011	11,037	3,303	14,340
2012	10,868	2,720	13,588
2013	10,329	2,151	12,480
2014-2018	27,055	18,316	45,371
2019-2023	6,850	2,365	9,215
2024-2028	6,065	598	6,663
Total	$ 94,478	$ 37,818	$ 132,296

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, 2008 (expressed in thousands):

Bond Series:	Maturity Through	Interest Rates	Amount
2002A	2025	6.72%	$ 107,438
2002B	2032	6.50%	129,540
Less Unamortized Discount			(2,080)
Total			$ 234,898

As of June 30, 2008, 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
2009	$	$ 15,640	$ 15,640
2010		15,640	15,640
2011		15,640	15,640
2012		15,640	15,640
2013		15,640	15,640
2014-2018	36,623	73,737	110,360
2019-2023	46,640	60,098	106,738
2024-2028	71,895	41,614	113,509
2029-2032	81,820	13,769	95,589
Total	$ 236,978	$ 267,418	$ 504,396

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. The bonds are paid solely from the interest earned on the loan repayments for the CWSRF and the DWSRF of $3.6 million and $2.7 million, respectively.

The following is a schedule of outstanding bonds as of June 30, 2008 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Clean Water State Revolving Fund			
1996A	2017	5.63%	$ 100
2001	2022	4.00%-5.00%	3,635
2004	2017	2.50%-5.25%	8,255
2005	2026	3.25%-5.00%	40,135
2008	2029	2.35%	21,960
Less Unamortized Deferred Loss on Refunding			(878)
Less Unamortized Discount			(22)
Add Unamortized Premium			1,228
Total			74,413
Drinking Water State Revolving Fund			
1998A	2019	4.50%-5.00%	4,540
2001	2022	4.00%-5.00%	4,350
2004	2025	3.00%-5.25%	25,240
2005	2026	3.25%-5.00%	8,185
2008	2029	2.35%	18,040
Less Unamortized Discount			(74)
Add Unamortized Premium			831
Total			61,112
Total Revenue Bonds			$ 135,525

As of June 30, 2008, debt service requirements for principal and interest for the CWSRF and the DWSRF were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
Clean Water State Revolving Fund			
2009	$ 2,730	$ 2,919	$ 5,649
2010	2,820	3,033	5,853
2011	3,665	2,914	6,579
2012	3,800	2,772	6,572
2013	3,970	2,620	6,590
2014-2018	17,400	10,905	28,305
2019-2023	18,620	6,945	25,565
2024-2028	18,095	2,461	20,556
2029-2030	2,985	126	3,111
Total	74,085	34,695	108,780
Drinking Water State Revolving Fund			
2009	1,745	2,512	4,257
2010	1,815	2,618	4,433
2011	2,495	2,534	5,029
2012	2,595	2,432	5,027
2013	2,720	2,322	5,042
2014-2018	15,340	9,704	25,044
2019-2023	17,590	5,756	23,346
2024-2028	13,600	1,747	15,347
2029-2030	2,455	105	2,560
Total	60,355	29,730	90,085
Total	$ 134,440	$ 64,425	$ 198,865

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, 2008 (expressed in thousands):

	Maturity Through	Interest Rates	Amount
Home-Ownership Mortgage Program	2008-2045	1.4%-8.5%	
Serial Bonds			$ 515,405
Term Bonds			1,290,585
Add Unamortized Premium			13,639
Less Deferred Loss on Refunding			(1,130)
Total			1,818,499
Multifamily Housing Trust Funds	2007-2021	3.10%-5.15%	
Serial Bonds			15,275
Term Bonds			22,320
Less Deferred Loss on Refunding			(835)
Total			36,760
Multifamily Housing Revenue Bonds			
Serial Bonds	2008-2034	3.60%-6.15%	3,189
Term Bonds			21,795
Total			24,984
Multifamily Mortgage Pass-Through Term Bonds	2010-2017	3.75%-8.50%	12,329
Multifamily Risk Sharing Bonds	2008-2043	3.90%-5.85%	
Serial Bonds			205
Term Bonds			13,620
Total			13,825
Total Bonds			$ 1,906,397

As of June 30, 2008, debt service requirements for principal and interest for the SDHDA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2009	$ 135,229	$ 75,380	$ 210,609
2010	38,056	72,771	110,827
2011	40,903	71,096	111,999
2012	43,137	69,437	112,574
2013	46,302	67,670	113,972
2014-2018	244,599	306,836	551,435
2019-2023	262,337	245,102	507,439
2024-2028	292,614	176,501	469,115
2029-2033	359,654	104,190	463,844
2034-2038	329,832	38,642	368,474
2039-2043	9,240	20,527	29,767
2044-2048	92,820	7,657	100,477
Total	$ 1,894,723	$ 1,255,809	$ 3,150,532

2. Conservation Reserve Enhancement Program

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

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

The following is a schedule of bonds outstanding for the CREP Program as of June 30, 2008 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2009	6.40%-6.50%	$ 290

As of June 30, 2008, debt service requirements for principal and interest for the CREP Program were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2009	$ 260	$ 10	$ 270
2010	30	1	31
Total	$ 290	$ 11	$ 301

3. 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 monies on deposit in the Capital Reserve Account are irrevocably pledged to the payment of all outstanding bonds and interest only when and to the extent that other monies are not available. The amount on deposit in the Capital Reserve Account must be equal to 12½% of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes. At June 30, 2008, the balance in the Capital Reserve Account was $5,000,000 and the reserve requirement was $2,000,000.

The following is a schedule of outstanding bonds as of June 30, 2008 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
1998A	2018	5.50%	$ 685
1998B	2009	7.00%	15
1999A	2009-2019	4.95%-5.50%	1,610
2003A	2013	4.25%-5.25%	1,440
2004A	2011-2029	4.375%-6.00%	4,570
2004B	2011-2024	4.375%-5.95%	3,110
2005A	2016-2026	5.25%-6.05%	4,570
2008	2015-2028	3.00%-5.875%	7,500
Total			$ 23,500

As of June 30, 2008, debt service requirements for principal and interest for the EDFA were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2009	$ 895	$ 1,225	$ 2,120
2010	1,065	1,280	2,345
2011	1,120	1,231	2,351
2012	1,185	1,235	2,420
2013	1,240	1,118	2,358
2014-2018	5,385	4,716	10,101
2019-2023	5,750	3,085	8,835
2024-2028	6,145	1,215	7,360
2029	715	43	758
Total	$ 23,500	$ 15,148	$ 38,648

4. Higher Education

a. Higher Education Facilities

Revenue bonds were issued for the purpose of constructing buildings. The bonds are payable only from and secured by a pledge of net revenues of the University Housing and Auxiliary Facilities System. Net revenue is defined as gross revenue, less reasonable and necessary costs of currently maintaining, repairing, insuring, and operating the University Housing and Auxiliary Facilities System. Total net revenue pledges for fiscal year 2008 equaled $10,686,646.

Following are revenue bonds outstanding at June 30, 2008 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
School of Mines and Technology			
2003	2033	2.350%-5.300%	$ 7,275
University of South Dakota			
2003	2028	2.000%-4.625%	14,245
2005	2030	4.000%-5.000%	12,460
Add Unamortized Premium			201
South Dakota State University			
2004	2024	2.500%-5.000%	26,520
2005A	2030	4.000%-5.000%	2,850
2006	2060	3.920%	7,465
Less Deferred Loss on Refunding			(612)
Add Unamortized Premium			1,045
Northern State University			
2004A	2029	3.000%-5.000%	5,755
Less Deferred Loss on Refunding			(101)
Add Unamortized Premium			158
Dakota State University			
2004	2025	3.000%-5.000%	2,915
2007	2029	3.760%	390
2008	2028	3.760%	4,770
Less Deferred Loss on Refunding			(126)
Add Unamortized Premium			106
Black Hills State University			
2004	2023	4.000%	4,400
2004A	2026	3.000%-5.000%	3,075
2006	2026	3.920%	1,225
2007	2029	3.880%	8,150
Less Deferred Loss on Refunding			(96)
Add Unamortized Premium			105
Total			$ 102,175

As of June 30, 2008, debt service requirements for principal and interest were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2009	$ 3,615	$ 4,381	$ 7,996
2010	3,995	4,267	8,262
2011	4,135	4,133	8,268
2012	4,275	3,988	8,263
2013	4,435	3,830	8,265
2014-2018	24,420	16,285	40,705
2019-2023	29,720	10,156	39,876
2024-2028	21,510	3,944	25,454
2029-2033	5,390	549	5,939
Total	$ 101,495	$ 51,533	$ 153,028

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 Building Authority may not be a lien, charge, or liability against the State of South Dakota.

Following is a schedule of bonds and certificates outstanding at June 30, 2008 (expressed in thousands):

Bond Series	Maturity Through	Interest Rates	Amount
Revenue Bonds			
1996C	2009	5.000%-5.250%	$ 675
1999	2019	4.500%-5.125%	1,014
2000	2010	6.150%-6.500%	625
2002	2026	4.400%-5.750%	4,330
2003	2015	2.500%-5.000%	9,582
2003A	2028	2.000%-5.000%	14,870
2005C	2029	3.500%-5.000%	16,730
2006A	2026	4.250%-5.000%	3,338
2007	2032	4.250%-5.000%	49,045
Less Deferred Loss on Refunding			(677)
Add Unamortized Premium			1,623
Total Revenue Bonds			101,155
Trust Certificates			
1991B	2013	6.500%-6.625%	290
Total			$ 101,445

As of June 30, 2008, debt service requirements for principal and interest for the Building Authority (Higher Education portion) were as follows (expressed in thousands):

Year Ended June 30,	Principal	Interest	Total
2009	$ 5,219	$ 4,498	$ 9,717
2010	5,142	4,276	9,418
2011	5,355	4,040	9,395
2012	4,930	3,809	8,739
2013	4,727	3,590	8,317
2014-2018	20,621	15,128	35,749
2019-2023	21,230	10,380	31,610
2024-2028	21,450	5,495	26,945
2029-2033	11,825	1,304	13,129
Total	$ 100,499	$ 52,520	$ 153,019

Capital Leases

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

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

The following schedule is a summary of the future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2008 (expressed in thousands):

Fiscal Year Ending June 30,	Primary Government Governmental Activities	Component Units
2009	$ 6,788	$ 941
2010	5,550	634
2011	4,556	191
2012	3,432	119
2013	2,446	0
2014-2018	7,975	0
2019-2023	7,880	0
2024-2028	1,276	0
Total Minimum Lease Payments	39,903	1,885
Less: Amount Representing Interest	8,932	117
Present Value of Net Minimum Lease Payments	$ 30,971	$ 1,768

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, 2008 are as follows (expressed in thousands):

	Primary Government Governmental Activities
Buildings	$ 42,418
Equipment	2,460
Vehicles	13,681
Total	58,559
Less Accumulated Depreciation	19,961
Total, Net	$ 38,598

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, 2008, there were 213 Beginning Farmer Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2008 could not be determined; however, the original issue amount totaled $26,479,431.

As of June 30, 2008, there were 5 Agribusiness Bonding Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2008 could not be determined; however, the original issue amount totaled $17,049,927.

As of June 30, 2008, there were 16 Livestock Nutrient Management Bond Program series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2008 could not be determined; however, the original issue amount totaled $6,637,155.

As of June 30, 2008, there were 17 Agribusiness Relending Loans outstanding. The aggregate principal amount payable on June 30, 2008 could not be determined; however, the original issue amount totaled $1,515,900.

2. South Dakota Economic Development Finance Authority

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

As of June 30, 2008, the aggregate amount of stand-alone bond principal outstanding was $31,545,805. The original issue amount of stand-alone bonds totaled $38,845,000.

Refunded Bonds

The Building Authority has defeased certain refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At June 30, 2008, $16,530,000 of the Building Authority bonds outstanding is considered defeased.

15. FUNCTIONAL DISTRIBUTION OF HIGHER EDUCATION OPERATING EXPENSES

The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented in natural classifications. The following table presents those same expenses in functional classifications as of June 30, 2008 as recommended by NACUBO (expressed in thousands):

Function	Personal Services	Travel	Contractual	Supplies & Noncapitalized Equipment	Grants & Subsidies	Interest & Other Expenses	Depreciation
Instruction	$ 134,668	$ 2,851	$ 10,272	$ 6,553	$ 626	$ 28	$ 2,322
Research	36,883	2,282	9,919	8,391	4,534	24	3,244
Public Service	27,894	1,267	4,362	5,156	1,718	79	273
Academic Support	32,989	864	3,996	5,124	106		1,253
Student Services	21,341	4,459	6,267	4,288	728	71	328
Institutional Support	32,404	896	13,818	3,506	2,795	460	6,553
O&M of Plant	13,531	174	10,381	9,319	11		8,425
Scholarships and Fellowships	828	7	2	68	21,368	351	
Auxiliary Enterprises	11,295	109	19,518	12,717	83	77	863
Unallocated Depreciation							1,281
Total	$ 311,833	$ 12,909	$ 78,535	$ 55,122	$ 31,969	$ 1,090	$ 24,542

16. FUND BALANCES AND NET ASSETS

Net Assets Restricted by Enabling Legislation

The government-wide Statement of Net Assets reports $1.32 billion of restricted net assets for the primary government of which $123.1 million was restricted by enabling legislation. Restrictions imposed by enabling legislation could be changed by future legislative action.

Funds Held as Permanent Investments

Funds held as permanent investments represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. Funds held in special revenue funds for this purpose have their principal balance reserved in the governmental fund financial statements since these amounts are not available for appropriation. In the government-wide Statement of Net Assets the principal balance is shown as unexpendable and the investment earnings remaining in these funds at June 30, 2008 is shown as expendable. These balances at June 30, 2008 are summarized as follows (expressed in thousands):

Fund	Expendable	Nonexpendable	Total Restriction
Dakota Cement Trust	$ 12,898	$ 238,000	$ 250,898
Education Enhancement Trust	39,039	329,330	368,369
Health Care Trust	12,016	85,631	97,647
Permanent	788	27,655	28,443
Total	$ 64,741	$ 680,616	$ 745,357

Individual Fund Deficits

The following individual funds had deficit fund equity at June 30, 2008 (expressed in thousands):

Fund Type/Fund	Deficit
Internal Service:	
State Worker's Compensation	$ 10,353
Special Revenue:	
Office of History – Other	$ 147
Fire Suppression	3,244
Law Enforcement Revolving	172

17. 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 2008, the State provided $18,663,000 in General Fund state aid payments to the technical institutes.

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

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

18. RELATED PARTY TRANSACTIONS

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

19. CONTINGENCIES AND LITIGATION

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

The contingent liabilities at June 30, 2008 are as follows:

The Petroleum Release Compensation Fund (PRCF) provides reimbursement for remediation of sites where a petroleum release has occurred. As of June 30, 2008, PRCF was currently involved with 137 active cases, 96 active/monitoring cases, and 10 pending cases (spill report not yet filed), for a total of 243 cases. Contingent liabilities for the PRCF are $3,800,000 for sites that haven't received any payments.

Loren Pourier, d/b/a Muddy Creek Oil and Gas, Inc., and Muddy Creek Oil and Gas, Inc. v. South Dakota Department of Revenue. Pourier brought a motor fuel tax refund action contesting the payment of taxes accruing from July, 1995 through January, 2000, in the amount of $937,819.75 plus interest which would accrue at the rate of 1.25 percent per month. The Supreme Court held that the Department of Revenue could not impose the state motor fuel tax on an enrolled tribal member or a tribe on Indian country controlled by the enrolled tribal member's tribe or the tribe. The court ruled that a fifteen month statute of limitations applies. The case was remanded from the South Dakota Supreme Court back to the Circuit Court for additional proceedings. The Circuit Court then remanded the matter to the South Dakota Department of Revenue and Regulation for additional administrative proceedings. On April 24, 2008, the Secretary of the Department of Revenue and Regulation entered an Amended Final Decision whereby Pourier's Motion for Leave to Amend Pleadings to be recognized as a class representative on behalf of all similarly situation persons was denied and the Department's Motion to Dismiss was denied. The Sixth Judicial Circuit Court, Hughes County, Judge Brown affirmed the Secretary's decision on February 13, 2009. Pourier has appealed to the South Dakota Supreme Court. Counsel for the Department of Revenue and Regulation is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Metropolitan Life Insurance Company, et al. v. Viken, et al. This case concerns a refund claim for insurance premium taxes. Metropolitan Life, and other related companies, filed an action in Circuit Court in August 2004 seeking refund of insurance premium taxes. A bench trial was held concerning the constitutionality of the state's premium tax statutes in 2007. The trial court ruled that SDCL 10-44-2 and SDCL 10-44-4 through SDCL 10-44-6 are unconstitutionally invalid from and after premium tax year 1970. The State appealed the Circuit Court's decision to the Supreme Court. On March 26, 2008, the South Dakota Supreme Court filed an opinion reversing the trial court's decision. The Supreme Court found the State's premium tax structure from 1982 to present constitutional but declined to decide the constitutionality of the state's premium tax structure from 1970-1981 as not properly before the Court. Metropolitan Life continued to litigate its claims for refunds for taxes paid from 1970-1979 and those paid in 1980 that were denied by the Division and appealed to the Circuit Court. The Circuit Court granted the Departments Motion to Dismiss Metropolitan Life's declaratory judgment action. Metropolitan Life appealed and the matter has been briefed and placed on the Supreme Court's non oral May 2009 calendar. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Midwest Railcar v. South Dakota Department of Revenue and Regulation. Midwest Railcar has requested an administrative hearing concerning a Certificate of Assessment issued on January 31, 2007. Midwest Railcar also completed self-audit worksheets and is requesting a refund in the amount of $1,052,096.10 along with any interest pursuant to SDCL 10-59-24. Midwest contends that the Railroad Revitalization and Regulatory Reform Act prohibits the Department from imposing use tax on it. On October 9, 2008, Midwest Railcar filed a complaint for declaratory relief in the United States District

Court for the District of South Dakota, Southern Division. Midwest Railcar Repair, Inc. asserts that the Department is violating the 4-R Act by assessing sales and use tax against Midwest Railcar while airplane repair companies in South Dakota have an exemption from the same tax pursuant to SDCL 10-29-18. The Department of Revenue and Regulation is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Davis et al. v. State of South Dakota et al. In June of 2006, Plaintiffs sued the State, the Governor, the Department of Education, the Board of Education and the Treasurer, in Circuit Court, Hughes County, claiming that the education being provided to South Dakota students in public K-12 schools is inadequate and therefore violates the South Dakota Constitution. The lawsuit is based on an "adequacy study" paid for by various education groups which claims that public K-12 education in South Dakota is under funded by approximately $100 million to $400 million per year. The Attorney General's Office has represented the Defendants since the lawsuit was filed. A court trial was held and on April 7, 2009, the trial court entered a preliminary ruling in favor of the State on all counts. A final circuit court decision is expected after June 1, 2009, and an appeal to the Supreme Court is likely. The trial court previously ruled that it cannot order the Legislature to appropriate more money to education. Counsel for the State is vigorously defending this action. If the decision is unfavorable, it could have a material impact on the State's General Fund.

Yankton Sioux Tribe v. United States Army Corps of Engineers. In this case, pending since 2002, the Tribe is alleging that lands already transferred to the State of South Dakota under Title VI are invalid and should be set aside and any further transfers prohibited because the lands are within the existing boundaries of the Yankton Sioux Reservation. The probable worth of the lands and the improvements already transferred exceeds $1,000,000. In March of 2008 the District Court granted Summary Judgment in favor of the State and Army Corps of Engineers. The Tribe has filed a Notice of Appeal in the 8th Circuit. Oral arguments were held May 11, 2009. If the decision is unfavorable, it could have a material impact on the State's General Fund.

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

20. SUBSEQUENT EVENTS

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short-term liquidity associated with certain investments which could impact the value of the investments after the date of these financial statements. The investment portfolios have experienced losses due to several companies which have declared bankruptcy, been placed into receivership by the federal government, or have transferred substantial rights of ownership in exchange for loans from the federal government. Through April 30, 2009, the amounts of the realized and unrealized losses in the various portfolios due to these investments are less than 1.7% of the June 30, 2008 assets and are as follows:

South Dakota Retirement System	$ (135,077,560)
SD Cement Plant Retirement Fund	(1,050,503)
Cash Flow Portfolio	(5,429,140)
Dakota Cement Trust Fund	(3,725,214)
Education Enhancement Trust Fund	(5,536,722)
Health Care Trust Fund	(1,474,545)
School & Public Lands Portfolio	(2,554,145)

The S&P 500 index is down 30.3% and the Citigroup Broad Investment Grade Index is up 5.8% from June 30, 2008 to April 30, 2009. The negative total return on SDRS's and Cement Plant Retirement Fund's assets through April 30, 2009 could ultimately affect the funded status of the retirement plans. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuations for the year ended June 30, 2009 are performed.

In February of 2009, the Federal Government passed the American Recovery and Reinvestment Act. This act had a net affect of increasing the State of South Dakota's fiscal year 2009 federal fund appropriations by $117.9 million and decreasing the general fund appropriations by $71.4 million. For fiscal year 2010, the State's federal fund appropriation was increased by $383.3 million and the General fund's was decreased by $88.1 million.

Housing Authority

In September of 2008, the Authority issued $100,000,000 of Homeownership Mortgage Bonds Series 2008D, E and F. The Bonds will mature on May 1, 2009 through May 1, 2039 with interest rates from 2.05% to 6.00%.

In September of 2008, the Authority issued $7,320,000 of Multiple Purpose Bonds Series 2008A. The Bonds will mature on November 1, 2010 through May 1, 2048 with a variable interest rate.

In December of 2008, the Authority issued $112,440,000 of Homeownership Mortgage Bonds Series 2008G and H. The Bonds will mature on January 4, 2010 through May 1, 2038 with interest rates from 2.50% to 6.25%.

In January of 2009, the Authority issued $4,920,000 of Multifamily Housing Revenue Bonds Series 2009A. The Bonds will mature on January 4, 2044, with a variable interest rate.

In March of 2009, the Authority issued $6,650,000 of Multiple Purpose Bonds Series 2009A. The Bonds will mature on November 1, 2048, with a variable interest rate.

Building Authority

On July 29, 2008, the Building Authority issued the Series 2008 Revenue Bonds in the amount of $75,685,000 to finance construction and renovation projects at Black Hills State University, Dakota State University, Northern State University, South Dakota State University, University of South Dakota and Custer State Park.

Health and Educational Facilities Authority

On September 16, 2008, the Health and Educational Facilities Authority issued the Vocational Education Program Series 2008 bonds in the amount of $19,465,000. Once the bonds were issued, the state entered into a lease agreement to fund the following projects: Lake Area Technical Institute for an automotive technology addition and for energy, welding and diesel additions, and Mitchell Technical Institute for Technology Classroom building addition and construction of a new Utility building.

Higher Education

On November 4, 2008, Higher Education issued $5,230,000 of Housing and Auxiliary Facilities System Revenue Bonds Series 2008B to renovate the Surbeck Center at South Dakota School of Mines and Technology and to renovate Kramer Hall at Northern State University.

On May 28, 2009, Higher Education issued $90,325,000 of Housing and Auxiliary Facilities System Revenue Bonds Series 2009 to finance construction and renovation projects at Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and the University of South Dakota.

Finance Authority

In June of 2008, the Finance Authority authorized $9,500,000 of Tower Tech Bond Series 2008B. The bonds have not yet been issued at this time.

In November of 2008, the Finance Authority authorized $3,700,000 of Angus Bond Series 2009A & B. The bonds have not yet been issued at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Transportation Fund

Budgetary Comparison Schedule – Social Services Federal Fund

Budgetary Comparison Schedule Budget-to-GAAP Reconciliation

Notes to Required Supplementary Information – Budgetary Reporting

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT OF EXECUTIVE MANAGEMENT				
OFFICE OF THE GOVERNOR				
Personal Services	$ 1,746	$ 1,746	$ 1,746	$ 0
Operating Expenses	487	564	564	0
TOTAL	2,233	2,310	2,310	0
GOVERNOR'S CONTINGENCY FUND				
Personal Services	0	0	0	0
Operating Expenses	100	23	23	0
TOTAL	100	23	23	0
LIEUTENANT GOVERNOR				
Personal Services	18	18	18	0
Operating Expenses	14	14	14	0
TOTAL	32	32	32	0
BUREAU OF FINANCE AND MANAGEMENT				
Personal Services	604	557	557	0
Operating Expenses	307	353	353	0
TOTAL	911	910	910	0
SALE LEASEBACK, B.F.M.				
Personal Services	0	0	0	0
Operating Expenses	9,154	9,154	9,154	0
TOTAL	9,154	9,154	9,154	0
SDDS, INC SETTLEMENT				
Personal Services	0	0	0	0
Operating Expenses	11	11	0	11
TOTAL	11	11	0	11
ADMINISTRATIVE SERVICES, BUREAU OF ADMINISTRATION				
Personal Services	0	0	0	0
Operating Expenses	2,224	2,224	2,144	80
TOTAL	2,224	2,224	2,144	80
SALE LEASEBACK, B.O.A.				
Personal Services	0	0	0	0
Operating Expenses	676	676	676	0
TOTAL	676	676	676	0
CENTRAL SERVICES				
Personal Services	191	133	133	0
Operating Expenses	205	263	263	0
TOTAL	396	396	396	0
STATEWIDE MAINTENANCE AND REPAIR				
Personal Services	0	0	0	0
Operating Expenses	6,368	6,368	3,753	2,615
TOTAL	6,368	6,368	3,753	2,615

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
OFFICE OF HEARING EXAMINERS				
Personal Services	$ 298	$ 248	$ 248	$ 0
Operating Expenses	86	136	136	0
TOTAL	384	384	384	0
PEPL FUND ADMINISTRATION - INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	0	3,202	3,202	0
TOTAL	0	3,202	3,202	0
SOUTH DAKOTA PUBLIC BROADCASTING				
Personal Services	2,532	2,532	2,532	0
Operating Expenses	1,483	1,483	1,483	0
TOTAL	4,015	4,015	4,015	0
STATE RADIO ENGINEERING				
Personal Services	545	526	526	0
Operating Expenses	854	873	872	1
TOTAL	1,399	1,399	1,398	1
PERSONNEL MANAGEMENT AND EMPLOYEE BENEFITS				
Personal Services	184	184	184	0
Operating Expenses	67	67	67	0
TOTAL	251	251	251	0
SOUTH DAKOTA RISK POOL				
Personal Services	82	74	74	0
Operating Expenses	575	633	633	0
TOTAL	657	707	707	0
DEPARTMENT TOTAL, EXECUTIVE MANAGEMENT				
Personal Services	6,200	6,018	6,018	0
Operating Expenses	22,611	26,044	23,337	2,707
TOTAL	28,811	32,062	29,355	2,707
DEPARTMENT OF REVENUE AND REGULATION				
SECRETARIAT				
Personal Services	108	113	112	1
Operating Expenses	53	254	254	0
TOTAL	161	367	366	1
PROPERTY AND SPECIAL TAXES				
Personal Services	753	737	737	0
Operating Expenses	995	955	723	232
TOTAL	1,748	1,692	1,460	232

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, REVENUE AND REGULATION				
Personal Services	$ 861	$ 850	$ 849	$ 1
Operating Expenses	1,048	1,209	977	232
TOTAL	1,909	2,059	1,826	233
DEPARTMENT OF AGRICULTURE				
ADMINISTRATION, SECRETARY OF AGRICULTURE				
Personal Services	452	577	577	0
Operating Expenses	260	260	260	0
TOTAL	712	837	837	0
AGRICULTURAL SERVICES				
Personal Services	1,291	1,228	1,228	0
Operating Expenses	987	5,043	5,043	0
TOTAL	2,278	6,271	6,271	0
AGRICULTURAL DEVELOPMENT				
Personal Services	822	760	760	0
Operating Expenses	567	1,294	711	583
TOTAL	1,389	2,054	1,471	583
ANIMAL INDUSTRY BOARD				
Personal Services	1,641	1,529	1,529	0
Operating Expenses	326	311	311	0
TOTAL	1,967	1,840	1,840	0
STATE FAIR				
Personal Services	0	0	0	0
Operating Expenses	757	757	756	1
TOTAL	757	757	756	1
DEPARTMENT TOTAL, AGRICULTURE				
Personal Services	4,206	4,094	4,094	0
Operating Expenses	2,897	7,665	7,081	584
TOTAL	7,103	11,759	11,175	584
DEPARTMENT OF TOURISM AND STATE DEVELOPMENT				
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT				
Personal Services	1,580	1,526	1,526	0
Operating Expenses	912	990	990	0
TOTAL	2,492	2,516	2,516	0
TOURISM				
Personal Services	0	0	0	0
Operating Expenses	2,000	2,000	2,000	0
TOTAL	2,000	2,000	2,000	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DIVISION OF RESEARCH COMMERCE				
Personal Services	$ 151	$ 151	$ 151	$ 0
Operating Expenses	6,848	6,848	4,354	2,494
TOTAL	6,999	6,999	4,505	2,494
TRIBAL GOVERNMENT RELATIONS				
Personal Services	179	179	179	0
Operating Expenses	42	42	42	0
TOTAL	221	221	221	0
ARTS				
Personal Services	202	202	202	0
Operating Expenses	434	434	434	0
TOTAL	636	636	636	0
HISTORY				
Personal Services	1,188	1,163	1,163	0
Operating Expenses	1,780	1,780	1,780	0
TOTAL	2,968	2,943	2,943	0
SD ENERGY INFRASTRUCTURE AUTHORITY				
Personal Services	18	25	25	0
Operating Expenses	74	67	41	26
TOTAL	92	92	66	26
DEPARTMENT TOTAL, TOURISM AND STATE DEVELOPMENT				
Personal Services	3,318	3,246	3,246	0
Operating Expenses	12,090	12,161	9,641	2,520
TOTAL	15,408	15,407	12,887	2,520
DEPARTMENT OF GAME, FISH, AND PARKS				
CONSERVATION RESERVE ENHANCEMENT PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	1,169	1,169	1,155	14
TOTAL	1,169	1,169	1,155	14
ADMINISTRATION, SECRETARY OF GAME, FISH AND PARKS				
Personal Services	80	80	80	0
Operating Expenses	1,073	1,073	1,073	0
TOTAL	1,153	1,153	1,153	0
PARKS AND RECREATION				
Personal Services	2,900	2,900	2,900	0
Operating Expenses	442	925	925	0
TOTAL	3,342	3,825	3,825	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	BUDGETED AMOUNTS Final	Actual Amounts	Variance with Final Budget
DEVELOPMENT AND IMPROVEMENT, PARKS AND RECREATION				
Personal Services	$ 0	$ 0	$ 0	$ 0
Operating Expenses	344	344	176	168
TOTAL	344	344	176	168
DEPARTMENT TOTAL, GAME, FISH AND PARKS				
Personal Services	2,980	2,980	2,980	0
Operating Expenses	3,028	3,511	3,329	182
TOTAL	6,008	6,491	6,309	182
DEPARTMENT OF SOCIAL SERVICES				
ADMINISTRATION				
Personal Services	3,234	3,234	3,234	0
Operating Expenses	3,780	3,780	3,780	0
TOTAL	7,014	7,014	7,014	0
ECONOMIC ASSISTANCE				
Personal Services	6,260	6,343	6,343	0
Operating Expenses	18,084	18,001	16,365	1,636
TOTAL	24,344	24,344	22,708	1,636
MEDICAL AND ADULT SERVICES				
Personal Services	2,050	2,050	2,050	0
Operating Expenses	208,556	208,556	208,554	2
TOTAL	210,606	210,606	210,604	2
CHILDREN'S SERVICES				
Personal Services	7,853	7,853	7,853	0
Operating Expenses	22,340	22,340	22,325	15
TOTAL	30,193	30,193	30,178	15
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	19,397	19,480	19,480	0
Operating Expenses	252,760	252,677	251,024	1,653
TOTAL	272,157	272,157	270,504	1,653
DEPARTMENT OF HEALTH				
ADMINISTRATION, SECRETARY OF HEALTH				
Personal Services	696	696	696	0
Operating Expenses	665	665	665	0
TOTAL	1,361	1,361	1,361	0
HEALTH SYSTEMS DEVELOPMENT AND REGULATION				
Personal Services	1,424	1,379	1,379	0
Operating Expenses	971	1,016	1,010	6
TOTAL	2,395	2,395	2,389	6

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
HEALTH AND MEDICAL SERVICES				
Personal Services	$ 1,548	$ 1,438	$ 1,438	$ 0
Operating Expenses	2,777	2,887	2,886	1
TOTAL	4,325	4,325	4,324	1
DEPARTMENT TOTAL, HEALTH				
Personal Services	3,668	3,513	3,513	0
Operating Expenses	4,413	4,568	4,561	7
TOTAL	8,081	8,081	8,074	7
DEPARTMENT OF LABOR				
ADMINISTRATION, SECRETARY OF LABOR				
Personal Services	0	0	0	0
Operating Expenses	200	200	200	0
TOTAL	200	200	200	0
STATE LABOR LAW ADMINISTRATION				
Personal Services	559	559	559	0
Operating Expenses	89	89	89	0
TOTAL	648	648	648	0
DEPARTMENT TOTAL, LABOR				
Personal Services	559	559	559	0
Operating Expenses	289	289	289	0
TOTAL	848	848	848	0
DEPARTMENT OF TRANSPORTATION				
GENERAL OPERATIONS				
Personal Services	270	288	288	0
Operating Expenses	240	223	223	0
TOTAL	510	511	511	0
DEPARTMENT TOTAL, TRANSPORTATION				
Personal Services	270	288	288	0
Operating Expenses	240	223	223	0
TOTAL	510	511	511	0
DEPARTMENT OF EDUCATION				
ADMINISTRATION, SECRETARY OF EDUCATION				
Personal Services	1,140	1,200	1,200	0
Operating Expenses	2,515	2,803	2,713	90
TOTAL	3,655	4,003	3,913	90
STATE AID TO GENERAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	313,704	316,712	316,712	0
TOTAL	313,704	316,712	316,712	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
STATE AID TO SPECIAL EDUCATION				
Personal Services	$ 0	$ 0	$ 0	$ 0
Operating Expenses	46,180	44,069	44,069	0
TOTAL	46,180	44,069	44,069	0
ALTERNATIVE EDUCATION PROGRAM				
Personal Services	0	0	0	0
Operating Expenses	450	450	450	0
TOTAL	450	450	450	0
NATIONAL BOARD CERTIFIED TEACHERS				
Personal Services	0	0	0	0
Operating Expenses	90	51	51	0
TOTAL	90	51	51	0
TECHNOLOGY IN SCHOOLS				
Personal Services	0	0	0	0
Operating Expenses	6,635	6,635	6,635	0
TOTAL	6,635	6,635	6,635	0
CAREER AND TECHNICAL EDUCATION				
Personal Services	373	373	373	0
Operating Expenses	593	593	591	2
TOTAL	966	966	964	2
POST-SECONDARY VOCATIONAL EDUCATION				
Personal Services	0	0	0	0
Operating Expenses	19,487	19,487	19,487	0
TOTAL	19,487	19,487	19,487	0
NON-RECURRING POSTSECONDARY FORMULA				
Personal Services	0	0	0	0
Operating Expenses	800	800	752	48
TOTAL	800	800	752	48
ED RESOURCES				
Personal Services	1,128	1,128	1,128	0
Operating Expenses	4,639	6,236	6,236	0
TOTAL	5,767	7,364	7,364	0
EDUCATION SERVICE AGENCIES				
Personal Services	0	0	0	0
Operating Expenses	500	500	500	0
TOTAL	500	500	500	0
STATE LIBRARY				
Personal Services	1,076	1,016	1,016	0
Operating Expenses	1,202	1,202	1,202	0
TOTAL	2,278	2,218	2,218	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, EDUCATION				
Personal Services	$ 3,717	$ 3,717	$ 3,717	$ 0
Operating Expenses	396,795	399,538	399,398	140
TOTAL	400,512	403,255	403,115	140
DEPARTMENT OF PUBLIC SAFETY				
ADMINISTRATION, SECRETARY OF PUBLIC SAFETY				
Personal Services	90	90	90	0
Operating Expenses	12	12	12	0
TOTAL	102	102	102	0
ENFORCEMENT				
Personal Services	1,621	1,574	1,574	0
Operating Expenses	148	222	222	0
TOTAL	1,769	1,796	1,796	0
EMERGENCY SERVICES				
Personal Services	1,004	972	972	0
Operating Expenses	2,619	2,564	2,564	0
TOTAL	3,623	3,536	3,536	0
EMERGENCY AND DISASTER FUND				
Personal Services	0	0	0	0
Operating Expenses	0	4,338	4,338	0
TOTAL	0	4,338	4,338	0
INSPECTION AND LICENSING				
Personal Services	49	53	53	0
Operating Expenses	664	719	716	3
TOTAL	713	772	769	3
DEPARTMENT TOTAL, PUBLIC SAFETY				
Personal Services	2,764	2,689	2,689	0
Operating Expenses	3,443	7,855	7,852	3
TOTAL	6,207	10,544	10,541	3
BOARD OF REGENTS				
REGENTS SYSTEM OFFICE				
Personal Services	3,600	3,440	3,440	0
Operating Expenses	14,486	18,699	11,199	7,500
TOTAL	18,086	22,139	14,639	7,500
SOUTH DAKOTA OPPORTUNITY SCHOLARSHIPS				
Personal Services	0	0	0	0
Operating Expenses	3,540	4,724	4,724	0
TOTAL	3,540	4,724	4,724	0
UNIVERSITY OF SOUTH DAKOTA PROPER				
Personal Services	30,577	29,567	29,567	0
Operating Expenses	2,453	3,533	3,532	1
TOTAL	33,030	33,100	33,099	1

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
UNIVERSITY OF SOUTH DAKOTA SCHOOL OF MEDICINE				
Personal Services	$ 14,921	$ 14,428	$ 14,428	$ 0
Operating Expenses	2,947	3,439	3,438	1
TOTAL	17,868	17,867	17,866	1
SOUTH DAKOTA STATE UNIVERSITY PROPER				
Personal Services	40,510	40,532	40,532	0
Operating Expenses	4,545	4,545	4,545	0
TOTAL	45,055	45,077	45,077	0
COOPERATIVE EXTENSION SERVICE				
Personal Services	7,814	7,814	7,814	0
Operating Expenses	410	410	410	0
TOTAL	8,224	8,224	8,224	0
AGRICULTURAL EXPERIMENT STATION				
Personal Services	9,873	8,873	8,873	0
Operating Expenses	529	1,529	1,529	0
TOTAL	10,402	10,402	10,402	0
SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY				
Personal Services	12,944	12,776	12,776	0
Operating Expenses	1,607	1,792	1,792	0
TOTAL	14,551	14,568	14,568	0
NORTHERN STATE UNIVERSITY				
Personal Services	10,237	10,237	10,237	0
Operating Expenses	1,551	1,557	1,557	0
TOTAL	11,788	11,794	11,794	0
BLACK HILLS STATE UNIVERSITY				
Personal Services	7,379	7,379	7,379	0
Operating Expenses	746	773	773	0
TOTAL	8,125	8,152	8,152	0
DAKOTA STATE UNIVERSITY				
Personal Services	6,979	6,979	6,979	0
Operating Expenses	1,023	1,025	1,025	0
TOTAL	8,002	8,004	8,004	0
SOUTH DAKOTA SCHOOL FOR THE DEAF				
Personal Services	2,663	2,300	2,298	2
Operating Expenses	951	1,314	1,314	0
TOTAL	3,614	3,614	3,612	2
SOUTH DAKOTA SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED				
Personal Services	2,370	2,358	2,358	0
Operating Expenses	219	231	231	0
TOTAL	2,589	2,589	2,589	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, BOARD OF REGENTS				
Personal Services	$ 149,867	$ 146,683	$ 146,681	$ 2
Operating Expenses	35,007	43,571	36,069	7,502
TOTAL	184,874	190,254	182,750	7,504
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS				
ADJUTANT GENERAL				
Personal Services	310	307	307	0
Operating Expenses	360	367	362	5
TOTAL	670	674	669	5
ARMY GUARD				
Personal Services	791	701	701	0
Operating Expenses	3,498	3,787	1,937	1,850
TOTAL	4,289	4,488	2,638	1,850
AIR GUARD				
Personal Services	151	148	148	0
Operating Expenses	200	206	206	0
TOTAL	351	354	354	0
VETERANS' BENEFITS AND SERVICES				
Personal Services	768	714	714	0
Operating Expenses	2,020	1,992	669	1,323
TOTAL	2,788	2,706	1,383	1,323
STATE VETERAN'S HOME				
Personal Services	1,365	1,365	1,365	0
Operating Expenses	1,688	1,763	680	1,083
TOTAL	3,053	3,128	2,045	1,083
DEPARTMENT TOTAL, MILITARY AND VETERANS AFFAIRS				
Personal Services	3,385	3,235	3,235	0
Operating Expenses	7,766	8,115	3,854	4,261
TOTAL	11,151	11,350	7,089	4,261
DEPARTMENT OF CORRECTIONS				
ADMINISTRATION, CENTRAL OFFICE				
Personal Services	1,981	1,894	1,894	0
Operating Expenses	16,353	15,927	15,926	1
TOTAL	18,334	17,821	17,820	1
MIKE DURFEE STATE PRISON				
Personal Services	8,346	7,996	7,996	0
Operating Expenses	4,521	4,810	4,809	1
TOTAL	12,867	12,806	12,805	1

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
STATE PENITENTIARY				
Personal Services	$ 12,996	$ 12,801	$ 12,801	$ 0
Operating Expenses	5,015	5,555	5,555	0
TOTAL	18,011	18,356	18,356	0
WOMEN'S PRISON				
Personal Services	2,178	2,098	2,098	0
Operating Expenses	928	1,117	1,115	2
TOTAL	3,106	3,215	3,213	2
COMMUNITY SERVICE				
Personal Services	2,574	2,849	2,849	0
Operating Expenses	1,224	1,624	1,623	1
TOTAL	3,798	4,473	4,472	1
PAROLE SERVICES				
Personal Services	2,713	2,750	2,750	0
Operating Expenses	950	990	990	0
TOTAL	3,663	3,740	3,740	0
JUVENILE COMMUNITY CORRECTIONS				
Personal Services	2,373	2,296	2,296	0
Operating Expenses	10,239	9,623	9,616	7
TOTAL	12,612	11,919	11,912	7
YOUTH CHALLENGE CENTER/LIVING CENTER				
Personal Services	922	1,050	1,050	0
Operating Expenses	146	146	146	0
TOTAL	1,068	1,196	1,196	0
PATRICK HENRY BRADY ACADEMY				
Personal Services	1,314	1,278	1,278	0
Operating Expenses	119	126	126	0
TOTAL	1,433	1,404	1,404	0
STATE TREATMENT AND REHABILITATION ACADEMY				
Personal Services	2,768	2,699	2,698	1
Operating Expenses	2,405	2,860	2,849	11
TOTAL	5,173	5,559	5,547	12
QUEST AND EXCEL				
Personal Services	1,276	851	851	0
Operating Expenses	166	166	166	0
TOTAL	1,442	1,017	1,017	0
DEPARTMENT TOTAL, CORRECTIONS				
Personal Services	39,441	38,562	38,561	1
Operating Expenses	42,066	42,944	42,921	23
TOTAL	81,507	81,506	81,482	24

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT OF HUMAN SERVICES				
ADMINISTRATION, SECRETARY OF HUMAN SERVICES				
Personal Services	$ 698	$ 672	$ 672	$ 0
Operating Expenses	312	338	338	0
TOTAL	1,010	1,010	1,010	0
DEVELOPMENTAL DISABILITIES				
Personal Services	562	484	484	0
Operating Expenses	35,950	36,028	36,028	0
TOTAL	36,512	36,512	36,512	0
SOUTH DAKOTA DEVELOPMENTAL CENTER - REDFIELD				
Personal Services	7,392	6,874	6,874	0
Operating Expenses	2,468	2,618	2,618	0
TOTAL	9,860	9,492	9,492	0
ALCOHOL AND DRUG ABUSE				
Personal Services	2,225	2,133	2,133	0
Operating Expenses	7,124	7,566	7,566	0
TOTAL	9,349	9,699	9,699	0
REHABILITATION SERVICES				
Personal Services	692	614	614	0
Operating Expenses	3,160	3,114	3,114	0
TOTAL	3,852	3,728	3,728	0
SERVICES TO THE BLIND AND VISUALLY IMPAIRED				
Personal Services	438	398	398	0
Operating Expenses	430	450	450	0
TOTAL	868	848	848	0
HUMAN SERVICES CENTER				
Personal Services	20,505	20,567	20,567	0
Operating Expenses	10,774	10,885	10,885	0
TOTAL	31,279	31,452	31,452	0
COMMUNITY MENTAL HEALTH				
Personal Services	522	509	509	0
Operating Expenses	14,212	14,215	14,215	0
TOTAL	14,734	14,724	14,724	0
DEPARTMENT TOTAL, HUMAN SERVICES				
Personal Services	33,034	32,251	32,251	0
Operating Expenses	74,430	75,214	75,214	0
TOTAL	107,464	107,465	107,465	0

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES				
FINANCIAL AND TECHNICAL ASSISTANCE				
Personal Services	$ 1,809	$ 1,809	$ 1,809	$ 0
Operating Expenses	430	430	430	0
TOTAL	2,239	2,239	2,239	0
ENVIRONMENTAL SERVICES				
Personal Services	3,263	3,263	3,263	0
Operating Expenses	837	837	837	0
TOTAL	4,100	4,100	4,100	0
WATER AND ENVIRONMENT FUND				
Personal Services	0	0	0	0
Operating Expenses	0	1,000	0	1,000
TOTAL	0	1,000	0	1,000
DEPARTMENT TOTAL, ENVIRONMENT AND NATURAL RESOURCES				
Personal Services	5,072	5,072	5,072	0
Operating Expenses	1,267	2,267	1,267	1,000
TOTAL	6,339	7,339	6,339	1,000
PUBLIC UTILITIES COMMISSION				
ADMINISTRATION, PUBLIC UTILITIES COMMISSION				
Personal Services	496	496	493	3
Operating Expenses	83	83	37	46
TOTAL	579	579	530	49
DEPARTMENT TOTAL, PUBLIC UTILITIES COMMISSION				
Personal Services	496	496	493	3
Operating Expenses	83	83	37	46
TOTAL	579	579	530	49
UNIFIED JUDICIAL SYSTEM				
UNIFIED JUDICIAL SYSTEM				
Personal Services	28,346	28,236	27,878	358
Operating Expenses	4,716	4,692	4,622	70
TOTAL	33,062	32,928	32,500	428
DEPARTMENT TOTAL, UNIFIED JUDICIAL SYSTEM				
Personal Services	28,346	28,236	27,878	358
Operating Expenses	4,716	4,692	4,622	70
TOTAL	33,062	32,928	32,500	428

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
LEGISLATURE				
LEGISLATIVE OPERATIONS				
Personal Services	$ 0	$ 0	$ 0	$ 0
Operating Expenses	0	0	0	0
Appropriation	5,140	5,392	4,849	543
TOTAL	5,140	5,392	4,849	543
LEGISLATIVE AUDIT				
Personal Services	2,475	2,475	2,297	178
Operating Expenses	340	340	286	54
Appropriation	0	0	0	0
TOTAL	2,815	2,815	2,583	232
DEPARTMENT TOTAL, LEGISLATIVE DEPARTMENT				
Personal Services	2,475	2,475	2,297	178
Operating Expenses	340	340	286	54
Appropriation	5,140	5,392	4,849	543
TOTAL	7,955	8,207	7,432	775
ATTORNEY GENERAL				
LEGAL SERVICES				
Personal Services	4,129	4,129	4,117	12
Operating Expenses	1,017	1,017	1,017	0
TOTAL	5,146	5,146	5,134	12
CRIMINAL INVESTIGATION				
Personal Services	2,419	2,419	2,419	0
Operating Expenses	2,003	2,003	2,002	1
TOTAL	4,422	4,422	4,421	1
LAW ENFORCEMENT TRAINING				
Personal Services	0	0	0	0
Operating Expenses	550	550	550	0
TOTAL	550	550	550	0
DEPARTMENT TOTAL, ATTORNEY GENERAL				
Personal Services	6,548	6,548	6,536	12
Operating Expenses	3,570	3,570	3,569	1
TOTAL	10,118	10,118	10,105	13
SCHOOL AND PUBLIC LANDS				
ADMINISTRATION OF SCHOOL AND PUBLIC LANDS				
Personal Services	414	414	392	22
Operating Expenses	119	119	115	4
TOTAL	533	533	507	26

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	BUDGETED AMOUNTS Original	Final	Actual Amounts	Variance with Final Budget
DEPARTMENT TOTAL, SCHOOL AND PUBLIC LANDS				
Personal Services	$ 414	$ 414	$ 392	$ 22
Operating Expenses	119	119	115	4
TOTAL	533	533	507	26
SECRETARY OF STATE				
SECRETARY OF STATE				
Personal Services	654	654	651	3
Operating Expenses	302	302	302	0
TOTAL	956	956	953	3
DEPARTMENT TOTAL, SECRETARY OF STATE				
Personal Services	654	654	651	3
Operating Expenses	302	302	302	0
TOTAL	956	956	953	3
STATE TREASURER				
TREASURY MANAGEMENT				
Personal Services	322	328	328	0
Operating Expenses	188	182	161	21
TOTAL	510	510	489	21
DEPARTMENT TOTAL, STATE TREASURER				
Personal Services	322	328	328	0
Operating Expenses	188	182	161	21
TOTAL	510	510	489	21
STATE AUDITOR				
STATE AUDITOR				
Personal Services	1,015	1,000	981	19
Operating Expenses	148	162	141	21
TOTAL	1,163	1,162	1,122	40
DEPARTMENT TOTAL, STATE AUDITOR				
Personal Services	1,015	1,000	981	19
Operating Expenses	148	162	141	21
TOTAL	1,163	1,162	1,122	40
STATE TOTAL				
Personal Services	319,009	313,388	312,789	599
Operating Expenses	869,616	897,301	876,270	21,031
Appropriation	5,140	5,392	4,849	543
TOTAL	$ 1,193,765	$ 1,216,081	$ 1,193,908	$ 22,173

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STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
GENERAL OPERATIONS				
Personal Services	$ 54,902	$ 54,867	$ 51,922	$ 2,945
Operating Expenses	106,277	99,052	88,656	10,396
TOTAL	161,179	153,919	140,578	13,341
CONTRACT CONSTRUCTION--INFORMATIONAL				
Personal Services	0	0	0	0
Operating Expenses	322,776	343,598	256,250	87,348
TOTAL	322,776	343,598	256,250	87,348
ENFORCEMENT				
Personal Services	13,701	13,701	12,743	958
Operating Expenses	4,785	4,785	4,776	9
TOTAL	18,486	18,486	17,519	967
FUND TOTAL, TRANSPORTATION				
Personal Services	68,603	68,568	64,665	3,903
Operating Expenses	433,838	447,435	349,682	97,753
TOTAL	$ 502,441	$ 516,003	$ 414,347	$ 101,656

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FEDERAL FUND
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
ADMINISTRATION				
Personal Services	$ 4,315	$ 4,315	$ 4,066	$ 249
Operating Expenses	14,862	6,462	5,587	875
TOTAL	19,177	10,777	9,653	1,124
ECONOMIC ASSISTANCE				
Personal Services	8,536	8,536	8,212	324
Operating Expenses	33,791	33,791	30,245	3,546
TOTAL	42,327	42,327	38,457	3,870
MEDICAL AND ADULT SERVICES				
Personal Services	4,661	4,661	4,127	534
Operating Expenses	371,171	379,571	378,341	1,230
TOTAL	375,832	384,232	382,468	1,764
CHILDREN'S SERVICES				
Personal Services	7,825	7,825	7,511	314
Operating Expenses	43,239	43,239	37,201	6,038
TOTAL	51,064	51,064	44,712	6,352
DEPARTMENT TOTAL, SOCIAL SERVICES				
Personal Services	25,337	25,337	23,916	1,421
Operating Expenses	463,063	463,063	451,374	11,689
TOTAL	$ 488,400	$ 488,400	$ 475,290	$ 13,110

STATE OF SOUTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General Fund	Transportation Fund	Social Services Federal Fund
Uses/Outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$1,193,908	$414,347	$475,290
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.	(23,610)	(6,534)	(30,875)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(11,831)		
To Adjust Expenditures/Expenses for Accruals	22,428	1,731	78,323
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$1,180,895	$409,544	$522,738

Required Supplementary Information
Notes to Required Supplementary Information - Budgetary Reporting

The Budgetary Comparison Schedule presents comparisons of the original budget and legally revised final budget, with actual amounts for each program of the state of South Dakota on a budgetary basis. A Budgetary Comparison Schedule is presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. There are currently two major special revenue funds that fit this criterion: the Social Services Federal Fund and the Transportation Fund. The Budget Comparison Schedule follows the same format, terminology, and classification as the state's General Appropriations Act (General Bill). Also included is a column that compares the variance between the final budget and actual amounts. A positive variance refers to unused budget, while a negative variance refers to an over expended budget. For the year ended June 30, 2008, there were no over-expenditures by any State departments.

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

The Budgetary Comparison Schedule reports amounts on a budgetary basis. The accounting principles applied for reporting on a budgetary basis differ from those used to present the financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Since the budget is prepared principally on a cash basis, the Budgetary Comparison Schedule includes information presented on this basis for the fiscal year. A reconciliation of the two methods for the fiscal year ended June 30, 2008 has also been included as Required Supplementary Information.

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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 Assets – Nonmajor Enterprise Funds

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

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Combining Statement of Net Assets – Internal Service Funds

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

Combining Statement of Cash Flows – Internal Service Funds

Combining Statement of Fiduciary Net Assets – Pension Trust Funds

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

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

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

Combining Statement of Fiduciary Net Assets – Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds

Combining Statement of Net Assets – Component Units

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

Combining Statement of Net Assets – Nonmajor Component Units

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

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - BY TYPE
June 30, 2008
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Assets					
Cash and Cash Equivalents	$ 336,800	$ 232	$ 3,303	$ 227	$ 340,562
Investments	93,029	78,586		28,253	199,868
Securities Lending Collateral	32,223		364	1,349	33,936
Receivables From:					
Taxes (Net)	5,518				5,518
Interest and Dividends	2,865	96	88	80	3,129
Other Funds	14,953				14,953
Component Units	139				139
Other Governments	70,313				70,313
Loans and Notes (Net)	42,462				42,462
Other (Net)	5,302	14,017		197	19,516
Inventory	3,347				3,347
Deferred Fiscal Charges and Other Assets	787	8			795
Total Assets	$ 607,738	$ 92,939	$ 3,755	$ 30,106	$ 734,538
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	$ 41,028	$	$ 230	$ 265	$ 41,523
Payable To:					
Other Funds	30,959		701	33	31,693
Component Units	1,105			16	1,121
Other Governments	41,367				41,367
Claims, Judgments and Compensated Absences	161				161
Deferred Revenue	33,357	14,017			47,374
Securities Lending Collateral Liability	32,223		364	1,349	33,936
Total Liabilities	180,200	14,017	1,295	1,663	197,175
Fund Balances:					
Reserved For:					
Encumbrances	9,481				9,481
Inventories	3,347				3,347
Debt Service		78,922			78,922
School Perpetuity				28,443	28,443
Noncurrent Assets	45,370				45,370
Funds held as Permanent Investments	85,631				85,631
Unreserved	283,709		2,460		286,169
Total Fund Balances	427,538	78,922	2,460	28,443	537,363
Total Liabilities and Fund Balances	$ 607,738	$ 92,939	$ 3,755	$ 30,106	$ 734,538

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, 2008
(Expressed in Thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Revenue:					
Taxes	$ 118,864	$	$	$	$ 118,864
Licenses, Permits and Fees	165,507				165,507
Fines, Forfeits and Penalties	10,579				10,579
Use of Money and Property	10,731	1,447	505	(551)	12,132
Sales and Services	25,511				25,511
Administering Programs	461,362				461,362
Tobacco Settlement		27,616			27,616
Other Revenue	7,490				7,490
Total Revenue	800,044	29,063	505	(551)	829,061
Expenditures:					
Current:					
General Government	41,278	202	51	1,558	43,089
Education	167,613				167,613
Education - Payments to School Districts	1,800				1,800
Health, Human and Social Services	215,636				215,636
Law, Justice, Public Protection and Regulation	83,689				83,689
Agriculture and Natural Resources	107,184				107,184
Economic Resources	34,734				34,734
Transportation	7,451				7,451
State Shared Revenue Paid to Other Governments	71,391				71,391
Capital Outlay			4,622		4,622
Debt Service:					
Principal		24,582			24,582
Interest		21,542			21,542
Total Expenditures	730,776	46,326	4,673	1,558	783,333
Excess of Revenue Over (Under) Expenditures	69,268	(17,263)	(4,168)	(2,109)	45,728
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	848				848
Transfers In	172,103	10,692			182,795
Transfers Out	(250,991)	(85)	(456)	(400)	(251,932)
Total Other Financing Sources (Uses)	(78,040)	10,607	(456)	(400)	(68,289)
Net Change in Fund Balances	(8,772)	(6,656)	(4,624)	(2,509)	(22,561)
Fund Balances at Beginning of Year, as restated	436,310	85,578	7,084	30,952	559,924
Fund Balances at End of Year	$ 427,538	$ 78,922	$ 2,460	$ 28,443	$ 537,363

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Assets					
Cash and Cash Equivalents	$	$	$ 322	$	$ 7
Investments					
Securities Lending Collateral			29		1
Receivables From:					
Taxes (Net)					
Interest and Dividends					
Other Funds	351	137	162		
Component Units					
Other Governments	23,527	12,894	1,619	2,270	1,275
Loans and Notes (Net)					
Other (Net)			77		
Inventory		286	89	2,161	
Deferred Fiscal Charges and Other Assets	42				4
Total Assets	$ 23,920	$ 13,317	$ 2,298	$ 4,431	$ 1,287
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable and Other Liabilities	$ 3,599	$ 8,569	$ 1,422	$ 1,483	$ 82
Payable To:					
Other Funds	579	1,807	234	475	1
Component Units	288	45		25	
Other Governments	18,896	1		159	1,200
Claims, Judgments and Compensated Absences	1	33	40	20	
Deferred Revenue	480	783			
Securities Lending Collateral Liability			29		1
Total Liabilities	23,843	11,238	1,725	2,162	1,284
Fund Balances:					
Reserved For:					
Encumbrances	17	580	30	577	506
Inventories		286	89	2,161	
Noncurrent Assets					
Funds held as Permanent Investments					
Unreserved	60	1,213	454	(469)	(503)
Total Fund Balances	77	2,079	573	2,269	3
Total Liabilities and Fund Balances	$ 23,920	$ 13,317	$ 2,298	$ 4,431	$ 1,287

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
$ 36	$	$ 7,102	$ 23,290	$ 16,385	$ 729	$ 2,220	$ 8,098
3		632	2,069	1,437	62	198	90
							684
		75	239	137	63		18
	26	275	46	231		33	
7,515	2,279	1,962		170		84	
638			1,136	362		79	
						730	
$ 8,192	$ 2,305	$ 10,046	$ 26,780	$ 18,722	$ 854	$ 3,344	$ 8,890
$ 5,949	$ 967	$ 508	$ 1,291	$ 1,728	$ 134	$ 170	$ 59
126	935	201	939	12,248	24	627	573
	44	421	19			41	
1,439	355	42	15			13	784
					8	4	
674		8,183					7,116
3		632	2,069	1,437	62	198	90
8,191	2,301	9,987	4,333	15,413	228	1,053	8,622
154	660	206	444	418	2	334	
						730	
(153)	(656)	(147)	22,003	2,891	624	1,227	268
1	4	59	22,447	3,309	626	2,291	268
$ 8,192	$ 2,305	$ 10,046	$ 26,780	$ 18,722	$ 854	$ 3,344	$ 8,890

Continued on next page

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (continued)
June 30, 2008
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Assets						
Cash and Cash Equivalents	$ 12,398	$ 1,999	$ 23,142	$ 63,626	$ 6,180	$ 6,248
Investments						
Securities Lending Collateral	1,185	179	2,057	5,703	551	617
Receivables From:						
Taxes (Net)	160			719	102	
Interest and Dividends	31	17	208		58	34
Other Funds				4,425		366
Component Units						
Other Governments	6,098	162				
Loans and Notes (Net)						
Other (Net)	32					
Inventory						
Deferred Fiscal Charges and Other Assets						7
Total Assets	$ 19,904	$ 2,357	$ 25,407	$ 74,473	$ 6,891	$ 7,272
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable and Other Liabilities	$ 559	$ 525	$ 647	$	$ 149	$
Payable To:						
Other Funds	1,486	202			7	
Component Units			173			
Other Governments	15,414		247			
Claims, Judgments and Compensated Absences	13					
Deferred Revenue						
Securities Lending Collateral Liability	1,185	179	2,057	5,703	551	617
Total Liabilities	18,657	906	3,124	5,703	707	617
Fund Balances:						
Reserved For:						
Encumbrances	95	201			3	
Inventories						
Noncurrent Assets						
Funds held as Permanent Investments						
Unreserved	1,152	1,250	22,283	68,770	6,181	6,655
Total Fund Balances	1,247	1,451	22,283	68,770	6,184	6,655
Total Liabilities and Fund Balances	$ 19,904	$ 2,357	$ 25,407	$ 74,473	$ 6,891	$ 7,272

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
$ 12,591	$ 5,531	$ 2,149	$ 7,967	$ 14,426	$ 122,354	$ 336,800
			92,914		115	93,029
1,083	491	191	3,909	1,285	10,451	32,223
280					3,573	5,518
109	79	18	217	699	863	2,865
499	4,823				3,579	14,953
	117				22	139
106					10,352	70,313
25,882				16,436	144	42,462
			963		2,015	5,302
					81	3,347
					734	787
$ 40,550	$ 11,041	$ 2,358	$ 105,970	$ 32,846	$ 154,283	$ 607,738
$ 342	$ 1	$ 1	$ 518	$ 2	$ 12,323	$ 41,028
			3,896		6,599	30,959
					49	1,105
401					2,401	41,367
					42	161
					16,121	33,357
1,083	491	191	3,909	1,285	10,451	32,223
1,826	492	192	8,323	1,287	47,986	180,200
35					5,219	9,481
					81	3,347
25,134	4,940			15,144	152	45,370
			85,631			85,631
13,555	5,609	2,166	12,016	16,415	100,845	283,709
38,724	10,549	2,166	97,647	31,559	106,297	427,538
$ 40,550	$ 11,041	$ 2,358	$ 105,970	$ 32,846	$ 154,283	$ 607,738

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, 2008
(Expressed in Thousands)

	Education Federal	Human Services Federal	Labor Federal	Health Federal	Tourism and State Development Federal
Revenue:					
Taxes	$	$	$ 414	$	$
Licenses, Permits and Fees				33	
Fines, Forfeits and Penalties					
Use of Money and Property					
Sales and Services					
Administering Programs	154,206	115,605	23,688	48,295	15,328
Other Revenue	56	61	22	16	
Total Revenue	154,262	115,666	24,124	48,344	15,328
Expenditures:					
General Government					
Education	154,320				
Education - Payments to School Districts					
Health, Human and Social Services		113,550	25,401	49,791	
Law, Justice, Public Protection and Regulation					
Agriculture and Natural Resources					
Economic Resources					15,332
Transportation					
State Shared Revenue Paid to Other Governments					
Total Expenditures	154,320	113,550	25,401	49,791	15,332
Excess of Revenue Over (Under) Expenditures	(58)	2,116	(1,277)	(1,447)	(4)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets					
Transfers In		135	1,634	7	
Transfers Out		(448)		(7)	
Total Other Financing Sources (Uses)	0	(313)	1,634	0	0
Net Change in Fund Balances	(58)	1,803	357	(1,447)	(4)
Fund Balances at Beginning of Year, as restated	135	276	216	3,716	7
Fund Balances at End of Year	$ 77	$ 2,079	$ 573	$ 2,269	$ 3

Public Safety Emergency Management	Natural Resources Federal	Game, Fish and Parks Federal	Game and Fish	Parks and Recreation	Securities and Insurance	Health	Gaming Commission
$	$	$	$	$ 1,494	$ 18,666	$	$ 8,330
			27,767	10,029	17,919	7,679	7,552
					9		13
		530	1,716	2,059	386		116
			469	557	16		
20,892	9,950	11,464	170	69			
51		1	229	22	32	298	
20,943	9,950	11,995	30,351	14,230	37,028	7,977	16,011
						7,957	
20,917					2,364		1,414
	9,993	11,834	21,215	16,450			
							8,730
20,917	9,993	11,834	21,215	16,450	2,364	7,957	10,144
26	(43)	161	9,136	(2,220)	34,664	20	5,867
			97	87			
	42	86	803	101		7	
(25)		(525)	(5,656)	(1,268)	(34,746)	(446)	(5,809)
(25)	42	(439)	(4,756)	(1,080)	(34,746)	(439)	(5,809)
1	(1)	(278)	4,380	(3,300)	(82)	(419)	58
	5	337	18,067	6,609	708	2,710	210
$ 1	$ 4	$ 59	$ 22,447	$ 3,309	$ 626	$ 2,291	$ 268

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, 2008
(Expressed in Thousands)

	Motor Vehicle	Revenue	Future	Property Tax Reduction	Petroleum Release Compensation	Maintenance and Repair
Revenue:						
Taxes	$ 2,773	$ 8,763	$ 10,327	$ 6,723	$ 1,965	$
Licenses, Permits and Fees	66,700	2,213				
Fines, Forfeits and Penalties						
Use of Money and Property	198	99	1,312		377	194
Sales and Services	2,164					1,380
Administering Programs						
Other Revenue	6		20			9
Total Revenue	71,841	11,075	11,659	6,723	2,342	1,583
Expenditures:						
General Government	6,967	8,993				543
Education						
Education - Payments to School Districts						
Health, Human and Social Services						
Law, Justice, Public Protection and Regulation	4,038					
Agriculture and Natural Resources					1,362	
Economic Resources			6,473			
Transportation						
State Shared Revenue Paid to Other Governments	62,661					
Total Expenditures	73,666	8,993	6,473	0	1,362	543
Excess of Revenue Over (Under) Expenditures	(1,825)	2,082	5,186	6,723	980	1,040
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets						
Transfers In	1,033			120,271		83
Transfers Out	(327)	(604)	(46)	(152,256)	(1,000)	
Total Other Financing Sources (Uses)	706	(604)	(46)	(31,985)	(1,000)	83
Net Change in Fund Balances	(1,119)	1,478	5,140	(25,262)	(20)	1,123
Fund Balances at Beginning of Year, as restated	2,366	(27)	17,143	94,032	6,204	5,532
Fund Balances at End of Year	$ 1,247	$ 1,451	$ 22,283	$ 68,770	$ 6,184	$ 6,655

Water and Environment	Energy Conservation	Cement Plant Commission	Health Care Trust	Railroad Trust	Other	Total
$ 4,781	$	$	$	$	$ 54,628	$ 118,864
1,681				177	23,757	165,507
					10,557	10,579
745	522	119	(6,178)	1,777	6,759	10,731
	55				20,870	25,511
	15				61,680	461,362
	269	1			6,397	7,490
7,207	861	120	(6,178)	1,954	184,648	800,044
		101	228		24,446	41,278
					13,293	167,613
					1,800	1,800
					18,937	215,636
					54,956	83,689
6,231					40,099	107,184
	276				12,653	34,734
				474	6,977	7,451
						71,391
6,231	276	101	228	474	173,161	730,776
976	585	19	(6,406)	1,480	11,487	69,268
		493		153	18	848
3,446				93	44,362	172,103
(406)			(3,896)		(43,526)	(250,991)
3,040	0	493	(3,896)	246	854	(78,040)
4,016	585	512	(10,302)	1,726	12,341	(8,772)
34,708	9,964	1,654	107,949	29,833	93,956	436,310
$ 38,724	$ 10,549	$ 2,166	$ 97,647	$ 31,559	$ 106,297	$ 427,538

STATE OF SOUTH DAKOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2008
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Assets			
Cash and Cash Equivalents	$	$ 232	$ 232
Investments	45,277	33,309	78,586
Receivables From:			
Interest and Dividends		96	96
Other (net)		14,017	14,017
Deferred Fiscal Charges and Other Assets		8	8
Total Assets	$ 45,277	$ 47,662	$ 92,939
Liabilities and Fund Balances			
Liabilities:			
Deferred Revenue	$	$ 14,017	$ 14,017
Total Liabilities	0	14,017	14,017
Fund Balances:			
Reserved For:			
Debt Service	45,277	33,645	78,922
Total Fund Balances	45,277	33,645	78,922
Total Liabilities and Fund Balances	$ 45,277	$ 47,662	$ 92,939

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, 2008
(Expressed in Thousands)

	Building Authority	Tobacco Securitization	Total
Revenue:			
Use of Money and Property	$ 10	$ 1,437	$ 1,447
Tobacco Settlement		27,616	27,616
Total Revenue	10	29,053	29,063
Expenditures:			
Current:			
General Government	52	150	202
Debt Service:			
Principal	11,791	12,791	24,582
Interest	5,078	16,464	21,542
Total Expenditures	16,921	29,405	46,326
Excess of Revenue Over (Under) Expenditures	(16,911)	(352)	(17,263)
Other Financing Sources (Uses):			
Transfers In	10,692		10,692
Transfers Out	(85)		(85)
Total Other Financing Sources (Uses)	10,607	0	10,607
Net Change in Fund Balances	(6,304)	(352)	(6,656)
Fund Balances at Beginning of Year	51,581	33,997	85,578
Fund Balances at End of Year	$ 45,277	$ 33,645	$ 78,922

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2008
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 41,638	$ 26,139	$ 2,800	$ 344	$ 236
Receivables:					
Interest and Dividends	538		15	2	4
Other Funds		49		4	65
Component Units					
Other Governments		149			2
Loans and Notes (Net)	12,515				
Other (Net)	76	824		6	138
Inventory					854
Securities Lending Collateral	3,707		250	23	21
Deferred Fiscal Charges and Other Assets					
Total Current Assets	58,474	27,161	3,065	379	1,320
Capital Assets:					
Land and Other Non-depreciable Assets				192	103
Property, Plant and Equipment	14			3,307	559
Accumulated Depreciation				(2,822)	(362)
Total Capital Assets	14	0	0	677	300
Other Noncurrent Assets	30,444				
Total Assets	88,932	27,161	3,065	1,056	1,620
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	36		1	65	62
Payable To:					
Other Funds	5	29		9	4
Claims, Judgments and Compensated Absences	25		348	10	42
Deferred Revenue				299	1
Securities Lending Collateral Liability	3,707		250	23	21
Total Current Liabilities	3,773	29	599	406	130
Noncurrent Liabilities:					
Claims, Judgments and Compensated Absences	22		1	9	38
Total Noncurrent Liabilities	22	0	1	9	38
Total Liabilities	3,795	29	600	415	168
Net Assets					
Invested In Capital Assets, Net of Related Debt	14			677	300
Unrestricted	85,123	27,132	2,465	(36)	1,152
Total Net Assets	$ 85,137	$ 27,132	$ 2,465	$ 641	$ 1,452

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
$ 5,962	$ 2,905	$ 7,609	$ 7,199	$ 1,064	$ 1,541	$ 97,437
91	28	77	71	11	16	853
	173		13			304
	33					33
					7	158
638						13,153
	122		2		8	1,176
	883				109	1,846
531	259	678	631	95	129	6,324
	30				346	376
7,222	4,433	8,364	7,916	1,170	2,156	121,660
						295
5	2,445		29	7	881	7,247
(4)	(1,102)		(21)	(7)	(674)	(4,992)
1	1,343	0	8	0	207	2,550
1,705						32,149
8,928	5,776	8,364	7,924	1,170	2,363	156,359
21	158	53	289	335	48	1,068
10	27		59	9	29	181
17	65	907	152	80	12	1,658
	9	828	659		33	1,829
531	259	678	631	95	129	6,324
579	518	2,466	1,790	519	251	11,060
16	58	2	137	71	11	365
16	58	2	137	71	11	365
595	576	2,468	1,927	590	262	11,425
1	1,343		8		207	2,550
8,332	3,857	5,896	5,989	580	1,894	142,384
$ 8,333	$ 5,200	$ 5,896	$ 5,997	$ 580	$ 2,101	$ 144,934

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Revolving Economic Development and Initiative	Unemployment Insurance	Second Injury	State Fair	Federal Surplus Property
Operating Revenue:					
Licenses, Permits and Fees	$	$	$	$	$
Use of Money and Property	1,153			325	
Sales and Services				1,106	3,957
Administering Programs				4	
Assessments		28,037	5,447		
Other Revenue	111			212	1
Total Operating Revenue	1,264	28,037	5,447	1,647	3,958
Operating Expenses:					
Personal Services and Benefits	398		23	710	551
Travel	25			12	13
Contractual Services	200		1	1,316	704
Supplies and Materials	10			410	2,535
Other	300			37	
Depreciation/Amortization				36	25
Insurance Claims		23,409	3,271		
Total Operating Expenses	933	23,409	3,295	2,521	3,828
Operating Income (Loss)	331	4,628	2,152	(874)	130
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets					
Interest Income	2,825	1,396	98	13	23
Other Expense	(213)		(7)	(1)	(2)
Grant and Other Income	181			25	
Total Nonoperating Revenue (Expenses)	2,793	1,396	91	37	21
Income (Loss) Before Transfers	3,124	6,024	2,243	(837)	151
Transfers:					
Transfers In				756	
Transfers Out		(244)			
Net Transfers In (Out)	0	(244)	0	756	0
Change in Net Assets	3,124	5,780	2,243	(81)	151
Net Assets at Beginning of Year	82,013	21,352	222	722	1,301
Net Assets at End of Year	$ 85,137	$ 27,132	$ 2,465	$ 641	$ 1,452

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
$ 190	$	$	$ 5,994	$ 1,849	$ 1,184	$ 9,217
207						1,685
2	2,807	5,009	221	53	890	14,045
			122			126
						33,484
10		2	178			514
409	2,807	5,011	6,515	1,902	2,074	59,071
343	1,041	75	3,065	1,397	413	8,016
69	8	3	673	156	22	981
304	426	310	2,191	858	1,966	8,276
26	968		304	66	250	4,569
26			1		2	366
	109				252	422
		5,011				31,691
768	2,552	5,399	6,234	2,477	2,905	54,321
(359)	255	(388)	281	(575)	(831)	4,750
	(14)					(14)
396	178	489	453	75	107	6,053
(30)	(14)	(37)	(35)	(6)	(8)	(353)
					1	207
366	150	452	418	69	100	5,893
7	405	64	699	(506)	(731)	10,643
		707		18	83	1,564
(22)	(94)		(73)		(24)	(457)
(22)	(94)	707	(73)	18	59	1,107
(15)	311	771	626	(488)	(672)	11,750
8,348	4,889	5,125	5,371	1,068	2,773	133,184
$ 8,333	$ 5,200	$ 5,896	$ 5,997	$ 580	$ 2,101	$ 144,934

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2008
(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	$ 111	$ 27,959	$ 5,448	$ 1,661	$ 2,729
Receipts from Interfund Services Provided		62			1,213
Receipts from Federal Agencies					84
Receipts from Loan Payments	8,105				
Payments to Suppliers and for Benefits and Claims	(536)	(23,410)	(3,313)	(1,587)	(3,355)
Payments for Employee Services	(392)		(23)	(722)	(534)
Payments for Interfund Services Used	(47)		(1)	(181)	(76)
Payments for Loans Originated	(8,323)				
Other Receipts (Payments)	181			25	1
Net Cash Provided (Used) by Operating Activities	(901)	4,611	2,111	(804)	62
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets	(14)				
Sales of Equipment					
Net Cash Provided (Used) by Capital and Related Financing Activities	(14)	0	0	0	0
Cash Flows From Noncapital Financing Activities:					
Transfers In				756	
Transfers Out		(244)			
Net Cash Provided (Used) by Noncapital Financing Activities	0	(244)	0	756	0
Cash Flows From Investing Activities:					
Investment Income	2,886	1,396	98	13	23
Security Lending Rebate Fees	(213)		(7)	(1)	(2)
Net Cash Provided (Used) by Investing Activities	2,673	1,396	91	12	21
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	1,758	5,763	2,202	(36)	83
Cash and Cash Equivalents at Beginning of Year	39,880	20,376	598	380	153
Cash and Cash Equivalents at End of Year	$ 41,638	$ 26,139	$ 2,800	$ 344	$ 236
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ 331	$ 4,628	$ 2,152	$ (874)	$ 130
Adjustments to Reconcile Operating Income (Loss):					
Depreciation/Amortization Expense				36	25
Interest Expense					
Miscellaneous Nonoperating Items	181			25	
Decrease/(Increase) in Assets:					
Accounts Receivable	(70)	(79)		7	93
Interest, Dividends & Penalties Receivable	(20)				
Loans and Notes Receivable	(1,277)				
Due From Other Funds		10		15	(38)
Due From Component Units					
Due From Other Governments		44			24
Inventory					(178)
Deferred Fiscal Charges and Other Assets					
Increase/(Decrease) in Liabilities:					
Accounts Payable	(55)			(7)	(9)
Accrued Liabilities	(1)			(10)	3
Compensated Absences Payable	8			(2)	12
Due To Other Funds	2	8		(4)	
Deferred Revenue				10	
Policy Claim Liabilities			(41)		
Net Cash Provided (Used) by Operating Activities	$ (901)	$ 4,611	$ 2,111	$ (804)	$ 62

Rural Rehabilitation	Prison Industries	Health Insurance Risk Pool	Professional and Licensing	Banking and Insurance	Other	Total
$ 1,085	$ 996	$ 5,031	$ 3,534	$ 1,903	$ 1,866	$ 52,323
	1,902		346		152	3,675
					90	174
						8,105
(350)	(1,192)	(5,529)	(1,945)	(892)	(2,274)	(44,383)
(348)	(1,021)	(74)	(1,471)	(1,408)	(416)	(6,409)
(86)	(451)	(11)	(212)		(264)	(1,329)
						(8,323)
						207
301	234	(583)	252	(397)	(846)	4,040
	(66)				(88)	(168)
	1		7		2	10
0	(65)	0	7	0	(86)	(158)
	85	707		18	83	1,649
(22)	(178)		(73)		(24)	(541)
(22)	(93)	707	(73)	18	59	1,108
403	175	488	456	81	112	6,131
(30)	(15)	(37)	(35)	(6)	(8)	(354)
373	160	451	421	75	104	5,777
652	236	575	607	(304)	(769)	10,767
5,310	2,669	7,034	6,592	1,368	2,310	86,670
$ 5,962	$ 2,905	$ 7,609	$ 7,199	$ 1,064	$ 1,541	$ 97,437
$ (359)	$ 255	$ (388)	$ 281	$ (575)	$ (831)	$ 4,750
	109				252	422
					(5)	(5)
			(12)			194
	(7)		(3)		(4)	(63)
(6)						(26)
682						(595)
	(52)		(13)			(78)
	(7)					(7)
					3	71
	9				(32)	(201)
	(6)				(285)	(291)
(11)	25	(2)	41	191	8	181
(3)	(9)	1	27		14	22
(3)	27		4	(11)	(1)	34
1	(7)		9	(2)	6	13
	(103)	21	(82)		29	(125)
		(215)				(256)
$ 301	$ 234	$ (583)	$ 252	$ (397)	$ (846)	$ 4,040

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008
(Expressed in Thousands)

	Self-Insurance	Information Services	Tele-communi-cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 22,761	$ 2,197	$ 1,900	$ 3,931	$ 589	$ 684
Receivables:						
Interest and Dividends	251	15	18	38	2	3
Other Funds		1,722	910	772	1,035	327
Component Units		5	286	85		1
Other Governments						
Other		4	37	1	1	2
Inventory		19	180		25	103
Securities Lending Collateral	2,026	196	169	350	53	61
Deferred Fiscal Charges and Other Assets	338	900	267	420	11	8
Total Current Assets	25,376	5,058	3,767	5,597	1,716	1,189
Capital Assets:						
Property, Plant and Equipment		13,368	4,026	9,382	1,110	437
Accumulated Depreciation		(10,852)	(3,524)	(9,298)	(950)	(303)
Construction in Progress		61	17	261		
Total Capital Assets	0	2,577	519	345	160	134
Total Assets	25,376	7,635	4,286	5,942	1,876	1,323
Liabilities						
Current Liabilities:						
Accounts Payable and Other Liabilities	459	1,014	577	318	311	44
Payable To:						
Other Funds	32	137	113	91	48	5
Component Units						
Bonds, Notes and Leases Payable		358				
Claims, Judgments and Compensated Absences	11,934	895	343	83	153	30
Deferred Revenue	7,050					
Securities Lending Collateral Liability	2,026	196	169	350	53	61
Total Current Liabilities	21,501	2,600	1,202	842	565	140
Noncurrent Liabilities:						
Bonds, Notes and Leases Payable		184				
Claims, Judgments and Compensated Absences	19	801	307	74	137	26
Total Noncurrent Liabilities	19	985	307	74	137	26
Total Liabilities	21,520	3,585	1,509	916	702	166
Net Assets						
Invested In Capital Assets, Net of Related Debt		2,035	519	345	160	134
Unrestricted	3,856	2,015	2,258	4,681	1,014	1,023
Total Net Assets	$ 3,856	$ 4,050	$ 2,777	$ 5,026	$ 1,174	$ 1,157

Rural Development Telecommunica-tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
$ 601	$ 8,674	$	$ 870	$ 2,913	$ 2,891	$ 48,011
4	96		6	34	33	500
102		1,296	198		869	7,231
		370			73	820
					135	135
5		11	4		122	187
					362	689
54	772		78	259	256	4,274
18		7				1,969
784	9,542	1,684	1,156	3,206	4,741	63,816
284	58	43,959	18		9,661	82,303
(281)	(51)	(28,721)	(15)		(3,351)	(57,346)
49		68				456
52	7	15,306	3	0	6,310	25,413
836	9,549	16,990	1,159	3,206	11,051	89,229
73	33	481	215	26	650	4,201
19	7	1,246	53	4	551	2,306
		155				155
		3,456			138	3,952
35	1,446	25	245	2,380	433	18,002
					9	7,059
54	772		78	259	256	4,274
181	2,258	5,363	591	2,669	2,037	39,949
		5,078			238	5,500
31	2,701	23	219	10,890	388	15,616
31	2,701	5,101	219	10,890	626	21,116
212	4,959	10,464	810	13,559	2,663	61,065
52	7	6,772	3		5,934	15,961
572	4,583	(246)	346	(10,353)	2,454	12,203
$ 624	$ 4,590	$ 6,526	$ 349	$ (10,353)	$ 8,388	$ 28,164

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Self-Insurance	Information Services	Tele-communi-cations	Accounting and Payroll	Buildings and Grounds	Central Mail
Operating Revenue:						
Use of Money and Property	$ 55	$	$	$	$	$
Sales and Services	102,095	18,935	12,637	2,356	5,197	4,211
Other Revenue	1,203	19	2	12	3	
Total Operating Revenue:	103,353	18,954	12,639	2,368	5,200	4,211
Operating Expenses:						
Personal Services and Benefits	483	12,455	4,535	778	2,716	342
Travel	16	80	149	4	1	2
Contractual Services	7,819	4,092	7,383	1,776	1,588	190
Supplies and Materials	153	559	371	94	850	3,628
Interest		33				
Depreciation/Amortization		1,808	414	24	79	42
Insurance Claims	99,225					
Total Operating Expenses	107,696	19,027	12,852	2,676	5,234	4,204
Operating Income (Loss)	(4,343)	(73)	(213)	(308)	(34)	7
Nonoperating Revenue (Expenses):						
Gain on Disposal of Assets			28		13	
Loss on Disposal of Assets	(2)					
Interest Income	1,627	92	116	270	13	23
Other Expense	(121)	(7)	(9)	(19)	(1)	(2)
Total Nonoperating Revenue (Expenses)	1,504	85	135	251	25	21
Income (Loss) Before Transfers	(2,839)	12	(78)	(57)	(9)	28
Transfers:						
Transfers In				751		
Transfers Out				(4,008)		
Net Transfers In (Out)	0	0	0	(3,257)	0	0
Change in Net Assets	(2,839)	12	(78)	(3,314)	(9)	28
Net Assets at Beginning of Year	6,695	4,038	2,855	8,340	1,183	1,129
Net Assets at End of Year	$ 3,856	$ 4,050	$ 2,777	$ 5,026	$ 1,174	$ 1,157

Rural Development Telecommunica-tions Network	Public Entity Pool for Liability	Fleet and Travel Management	Personnel	Workers Compensation	Other	Total
$	$	$	$	$	$	$ 55
770		13,239	4,118	3,235	11,411	178,204
	48	45		16	18	1,366
770	48	13,284	4,118	3,251	11,429	179,625
353	350	567	3,054	138	5,550	31,321
9	27	14	93	2	294	691
367	1,209	1,731	758	155	2,162	29,230
28	15	8,757	201	13	3,613	18,282
		322			32	387
15	8	5,172			577	8,139
	2,443			1,178	269	103,115
772	4,052	16,563	4,106	1,486	12,497	191,165
(2)	(4,004)	(3,279)	12	1,765	(1,068)	(11,540)
		465				506
		(63)	(1)		(5)	(71)
28	630	2	37	223	212	3,273
(2)	(46)		(3)	(17)	(16)	(243)
26	584	404	33	206	191	3,465
24	(3,420)	(2,875)	45	1,971	(877)	(8,075)
			251		2,247	3,249
					(216)	(4,224)
0	0	0	251	0	2,031	(975)
24	(3,420)	(2,875)	296	1,971	1,154	(9,050)
600	8,010	9,401	53	(12,324)	7,234	37,214
$ 624	$ 4,590	$ 6,526	$ 349	$ (10,353)	$ 8,388	$ 28,164

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008
(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	$ 56,043	$ 321	$ 3,593	$ 279	$ 44	$ 215
Receipts from Interfund Services Provided	47,624	18,676	9,018	2,000	5,149	3,988
Payments to Suppliers and for Benefits and Claims	(105,790)	(3,658)	(7,158)	(847)	(1,842)	(3,525)
Payments for Employee Services	(465)	(12,279)	(4,500)	(761)	(2,669)	(335)
Payments for Interfund Services Used	(448)	(1,190)	(694)	(1,061)	(610)	(77)
Other Receipts (Payments)		19	2	12	3	
Net Cash Provided (Used) by Operating Activities	(3,036)	1,889	261	(378)	75	266
Cash Flows From Capital and Related Financing Activities:						
Purchases of Capital Assets		(930)	(233)	(18)	(51)	
Sales of Capital Assets			28		14	
Payments on Capital Lease Obligations		(294)				
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(1,224)	(205)	(18)	(37)	0
Cash Flows From Noncapital Financing Activities:						
Transfers In				751		
Transfers Out				(4,008)		
Received (Paid) on Interfund Borrowing						
Net Cash Provided (Used) From Noncapital Financing Activities	0	0	0	(3,257)	0	0
Cash Flows From Investing Activities						
Investment Income (Expense)	1,695	83	121	315	14	23
Security Lending Rebate Fees	(121)	(7)	(9)	(19)	(1)	(2)
Net Cash Provided (Used) by Investing Activities	1,574	76	112	296	13	21
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(1,462)	741	168	(3,357)	51	287
Cash and Cash Equivalents at Beginning of Year	24,223	1,456	1,732	7,288	538	397
Cash and Cash Equivalents at End of Year	$ 22,761	$ 2,197	$ 1,900	$ 3,931	$ 589	$ 684
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ (4,343)	$ (73)	$ (213)	$ (308)	$ (34)	$ 7
Adjustments to Reconcile Operating Income (Loss):						
Depreciation/Amortization Expense		1,808	414	24	79	42
Interest Expense		26				
Miscellaneous Nonoperating Items						
Decrease/(Increase) in Assets:						
Accounts Receivable		(2)	1			
Due From Other Funds		59	(49)	(46)	(23)	10
Due From Component Units		6	55	(32)		
Due From Other Governments						
Inventory		4	(15)		2	210
Deferred Fiscal Charges and Other Assets		(179)	86	(23)	(5)	1
Increase/(Decrease) in Liabilities:						
Accounts Payable	12	58	(33)	(4)	(14)	8
Accrued Liabilities	8	88	16	10	22	2
Compensated Absences Payable	10	86	19	7	25	5
Due To Other Funds	5	8	(20)	(6)	23	
Due To Component Units						
Deferred Revenue	321					(19)
Policy Claim Liabilities	951					
Net Cash Provided (Used) by Operating Activities	$ (3,036)	$ 1,889	$ 261	$ (378)	$ 75	$ 266
Noncash Investing, Capital and Financing Activities:						
Gain (Loss) on Disposal of Fixed Assets	(2)		28		13	
Capital Lease Obligations Entered Into		(109)				
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
$ 381	$	$ 2,449	$ 28	$ 853	$ 1,927	$ 66,133
397		10,486	4,210	2,400	9,454	113,402
(294)	(2,946)	(3,928)	(552)	(3,548)	(4,494)	(138,582)
(346)	(349)	(564)	(3,036)	(133)	(5,305)	(30,742)
(106)	(160)	(6,358)	(516)	(49)	(1,736)	(13,005)
	48	39			(1)	122
32	(3,407)	2,124	134	(477)	(155)	(2,672)
		(1,930)			(670)	(3,832)
		1,016			179	1,237
		(3,161)			(275)	(3,730)
0	0	(4,075)	0	0	(766)	(6,325)
			251		358	1,360
					(216)	(4,224)
		637			183	820
0	0	637	251	0	325	(2,044)
27	667	19	38	232	218	3,452
(2)	(46)		(3)	(17)	(16)	(243)
25	621	19	35	215	202	3,209
57	(2,786)	(1,295)	420	(262)	(394)	(7,832)
544	11,460	1,295	450	3,175	3,285	55,843
$ 601	$ 8,674	$ 0	$ 870	$ 2,913	$ 2,891	$ 48,011
$ (2)	$ (4,004)	$ (3,279)	$ 12	$ 1,765	$ (1,068)	$ (11,540)
15	8	5,172			577	8,139
		266			32	324
			(5)		105	100
2	1	(5)	(1)		32	28
7		(257)	122		(5)	(182)
		(48)			(10)	(29)
					(30)	(30)
					16	217
(2)	12	5				(105)
3	5	71	(13)	18	79	190
3	(3)	3	7	1	37	194
4	3	(1)	7	4	112	281
2	(20)	109	5	1	(13)	94
		88				88
					(19)	283
	591			(2,266)		(724)
$ 32	$ (3,407)	$ 2,124	$ 134	$ (477)	$ (155)	$ (2,672)
		402	(1)		(5)	435
		(4,202)				(4,311)
					1,906	1,906

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
June 30, 2008
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Assets			
Cash and Cash Equivalents	$ 6,429	$ 1,102	$ 7,531
Receivables:			
Employer	2,397		2,397
Employee	4,867		4,867
Benefits	68		68
Unsettled Investment Sales	33,227	4,971	38,198
Investment Income	19,544	135	19,679
Total Receivables	60,103	5,106	65,209
Investments, at Fair Value:			
Fixed Income	1,915,933	8,607	1,924,540
Equities	3,793,276	26,654	3,819,930
Real Estate	948,547	5,999	954,546
Private Equity	716,595	4,877	721,472
Total Investments	7,374,351	46,137	7,420,488
Securities Lending Collateral	321,645	1,468	323,113
Properties, at Cost	78		78
Accumulated Depreciation	(42)		(42)
Other Assets	10		10
Total Assets	7,762,574	53,813	7,816,387
Liabilities			
Payables:			
Accounts Payable and Other Liabilities	2,462		2,462
Due to Other Funds	41		41
Compensated Absences Payable	229		229
Securities Sold, But Not Yet Purchased, at Fair Value	90,628		90,628
Unsettled Investment Purchases	35,463	5,038	40,501
Securities Lending Collateral Liability	321,645	1,468	323,113
Total Liabilities	450,468	6,506	456,974
Net Assets Held In Trust For Pension and Other Employee Benefits	$ 7,312,106	$ 47,307	$ 7,359,413

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	South Dakota Retirement System	Cement Plant Retirement System	Total
Additions			
Contributions:			
Employee	$ 91,979	$	$ 91,979
Employer	89,766		89,766
Total Contributions	181,745	0	181,745
Investment Income:			
From Investing Activities			
Net Increase (Decrease) in Fair Value of Investments	(887,232)	(5,888)	(893,120)
Interest	77,367	514	77,881
Dividends	112,785	792	113,577
Real Estate	3,101	(4)	3,097
Investment Activity Income	(693,979)	(4,586)	(698,565)
Less Investment Activity Expenses	(30,735)	(30)	(30,765)
Net Investment Activity Income	(724,714)	(4,616)	(729,330)
From Security Lending Activities			
Security Lending Income	21,942	125	22,067
Security Lending Expenses	(20,241)	(117)	(20,358)
Net Security Lending Activity Income	1,701	8	1,709
Net Investment Income (Loss)	(723,013)	(4,608)	(727,621)
Total Additions	(541,268)	(4,608)	(545,876)
Deductions			
Benefits	273,238	2,861	276,099
Refunds of Contributions	28,205		28,205
Administrative Expenses	3,352	195	3,547
Total Deductions	304,795	3,056	307,851
Net Increase	(846,063)	(7,664)	(853,727)
Net Assets Held In Trust For Pension and Other Employee Benefits, Beginning of Year	8,158,169	54,971	8,213,140
End of Year	$ 7,312,106	$ 47,307	$ 7,359,413

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2008
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Assets					
Cash and Cash Equivalents	$ 9,519	$ 298	$ 1,815	$ 1,736	$ 13,368
Receivables:					
Due from Other Funds			108		108
Investment Income	399	2		3	404
Other	978	28			1,006
Total Receivables	1,377	30	108	3	1,518
Investments, at Fair Value:					
Pooled Investment Funds	130,744				130,744
Total Investments	130,744	0	0	0	130,744
Securities Lending Collateral	6,685	12		127	6,824
Properties, at Cost	14,098			20	14,118
Other Assets				6	6
Total Assets	162,423	340	1,923	1,892	166,578
Liabilities					
Payables:					
Accounts Payable and Other Liabilities	1,316	193		44	1,553
Due To Other Funds			150	19	169
Securities Lending Collateral Liability	6,685	12		127	6,824
Total Liabilities	8,001	205	150	190	8,546
Net Assets Held In Trust For Others	$ 154,422	$ 135	$ 1,773	$ 1,702	$ 158,032

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Common School	Child's Own	Corrections	Other	Total
Additions					
Contributions:					
From Participants	$	$	$	$ 326	$ 326
From Clients and Inmates			7,609	865	8,474
Total Contributions	0	0	7,609	1,191	8,800
Investment Income:					
From Investing Activities					
Net Increase (Decrease) in Fair Value of Investments	(18,612)	2		4	(18,606)
Pooled Interest and Dividends	11,500	7		20	11,527
Net Investment Activity Income	(7,112)	9	0	24	(7,079)
From Security Lending Activities					
Security Lending Income	1,078	1		2	1,081
Security Lending Expenses	(1,012)	(1)		(2)	(1,015)
Net Security Lending Activity Income	66	0	0	0	66
Net Investment Income (Loss)	(7,046)	9	0	24	(7,013)
Escheated Property	42				42
Miscellaneous Income	5,483	790		103	6,376
Total Additions	(1,521)	799	7,609	1,318	8,205
Deductions					
Distribution to School Districts	8,771				8,771
Payments made for Trust Purposes		796	7,447	1,133	9,376
Administrative Expenses		1			1
Total Deductions	8,771	797	7,447	1,133	18,148
Net Increase (Decrease)	(10,292)	2	162	185	(9,943)
Net Assets Held In Trust For Others					
Beginning of Year	164,714	133	1,611	1,517	167,975
End of Year	$ 154,422	$ 135	$ 1,773	$ 1,702	$ 158,032

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GREAT FACES. GREAT PLACES.

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2008
(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	$ 35,356	$ 1,554	$ 4,580	$ 4,234	$ 1,882	$ 47,606
Receivables:						
Taxes Receivable (net)	33,866					33,866
Due From Other Funds			59			59
Due From Other Governments	499					499
Interest and Dividends Receivable	93				5	98
Other	516					516
Total Receivables	34,974	0	59	0	5	35,038
Total Assets	$ 70,330	$ 1,554	$ 4,639	$ 4,234	$ 1,887	$ 82,644
Liabilities						
Payables:						
Accounts Payable and Other Liabilities	$ 23,565	$ 1,554	$	$ 4,234	$ 953	$ 30,306
Due To Other Governments	46,765		4,639		934	52,338
Total Liabilities	$ 70,330	$ 1,554	$ 4,639	$ 4,234	$ 1,887	$ 82,644

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Department of Revenue - Tax Collections	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Assets:				
Cash and Cash Equivalents	$ 21,972	$ 324,765	$ 311,381	$ 35,356
Accounts Receivable	1,001	516	1,001	516
Taxes Receivable (Net)	30,328	33,866	30,328	33,866
Interest and Dividends Receivable	90	93	90	93
Due From Other Governments	53	499	53	499
Total Assets	$ 53,444	$ 359,739	$ 342,853	$ 70,330
Liabilities:				
Accounts Payable and Other Liabilities	$ 11,054	$ 29,221	$ 16,710	$ 23,565
Due To Other Governments	42,390	330,518	326,143	46,765
Total Liabilities	$ 53,444	$ 359,739	$ 342,853	$ 70,330
Social Services - Child Support				
Assets:				
Cash and Cash Equivalents	$ 1,213	$ 93,913	$ 93,572	$ 1,554
Total Assets	$ 1,213	$ 93,913	$ 93,572	$ 1,554
Liabilities:				
Accounts Payable and Other Liabilities	$ 1,213	$ 93,913	$ 93,572	$ 1,554
Total Liabilities	$ 1,213	$ 93,913	$ 93,572	$ 1,554
State Auditor - Payroll Withholding				
Assets:				
Cash and Cash Equivalents	$ 4,363	$ 173,920	$ 173,703	$ 4,580
Due From Other Funds	86	61	88	59
Total Assets	$ 4,449	$ 173,981	$ 173,791	$ 4,639
Liabilities:				
Accounts Payable and Other Liabilities	$	$ 2,162	$ 2,162	$ 0
Due To Other Governments	4,449	171,819	171,629	4,639
Total Liabilities	$ 4,449	$ 173,981	$ 173,791	$ 4,639
State Clerk of Courts				
Assets:				
Cash and Cash Equivalents	$ 4,359	$ 10,473	$ 10,598	$ 4,234
Total Assets	$ 4,359	$ 10,473	$ 10,598	$ 4,234
Liabilities:				
Accounts Payable and Other Liabilities	$ 4,359	$ 10,473	$ 10,598	$ 4,234
Total Liabilities	$ 4,359	$ 10,473	$ 10,598	$ 4,234

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS (Continued)
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Other Agency Funds	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Assets:				
Cash and Cash Equivalents	$ 2,208	$ 42,071	$ 42,397	$ 1,882
Accounts Receivable	26		26	0
Interest and Dividends Receivable	7	5	7	5
Due From Other Governments		1,207	1,207	0
Total Assets	$ 2,241	$ 43,283	$ 43,637	$ 1,887
Liabilities:				
Accounts Payable and Other Liabilities	$ 1,286	$ 39,838	$ 40,171	$ 953
Due To Other Governments	955	1,030	1,051	934
Total Liabilities	$ 2,241	$ 40,868	$ 41,222	$ 1,887
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 34,115	$ 645,142	$ 631,651	$ 47,606
Accounts Receivable	1,027	516	1,027	516
Taxes Receivable (Net)	30,328	33,866	30,328	33,866
Interest and Dividends Receivable	97	98	97	98
Due From Other Funds	86	61	88	59
Due From Other Governments	53	1,706	1,260	499
Total Assets	$ 65,706	$ 681,389	$ 664,451	$ 82,644
Liabilities:				
Accounts Payable and Other Liabilities	$ 17,912	$ 175,607	$ 163,213	$ 30,306
Due To Other Governments	47,794	503,367	498,823	52,338
Total Liabilities	$ 65,706	$ 678,974	$ 662,036	$ 82,644

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008
(Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	$ 192,903	$ 49,670	$ 174,281	$ 2,300	$ 419,154
Receivables:					
Interest and Dividends	14,874	447	1,780	128	17,229
Primary Government			1,561		1,561
Other Governments		506	13,639		14,145
Loans and Notes (Net)	76,663		9,533	1,868	88,064
Other (Net)		50	16,225	2	16,277
Investments	141,372			923	142,295
Inventory	2,423		7,812		10,235
Securities Lending Collateral		4,409	13,972		18,381
Deferred Fiscal Charges and Other Assets		593	2,555	83	3,231
Total Current Assets	428,235	55,675	241,358	5,304	730,572
Investments	500,489		238,938	1,903	741,330
Restricted Assets:					
Cash and Cash Equivalents			3,122	575	3,697
Investments			74,522	6,687	81,209
Other			64,125		64,125
Capital Assets:					
Land and Other Non-depreciable Assets	220	12,419	23,638		36,277
Property, Plant and Equipment	3,814	8,528	717,858		730,200
Accumulated Depreciation	(2,885)	(564)	(352,185)		(355,634)
Construction in Progress	368	10,565	78,767		89,700
Total Capital Assets	1,517	30,948	468,078		500,543
Other Noncurrent Assets (net)	1,404,371		4,725	25,192	1,434,288
Total Assets	2,334,612	86,623	1,094,868	39,661	3,555,764
Liabilities					
Current Liabilities:					
Accounts Payable and Other Liabilities	1,995	2,298	33,924	14	38,231
Payable To:					
Primary Government	19		973		992
Escrow Payable	20,882				20,882
Bonds, Notes and Leases Payable	135,229		10,826	1,346	147,401
Claims, Judgments and Compensated Absences		33	9,945		9,978
Accrued Interest Payable	12,937		2,163	325	15,425
Deferred Revenue			4,265	26	4,291
Securities Lending Collateral Liability		4,409	13,972		18,381
Other Current Liabilities			19,447	114	19,561
Total Current Liabilities	171,062	6,740	95,515	1,825	275,142
Noncurrent Liabilities:					
Bonds, Notes and Leases Payable	1,771,959		203,637	26,486	2,002,082
Claims, Judgments and Compensated Absences	328	34	25,303		25,665
Federal Capital Contribution Refundable Advance			36,229		36,229
Other Noncurrent Liabilities	3,785		19,136	1,681	24,602
Total Noncurrent Liabilities	1,776,072	34	284,305	28,167	2,088,578
Total Liabilities	1,947,134	6,774	379,820	29,992	2,363,720
Net Assets					
Invested In Capital Assets, Net of Related Debt	1,517	30,948	278,428		310,893
Restricted For:					
Debt Service	385,961		4,056	7,262	397,279
Higher Education - Expendable			119,276		119,276
Higher Education - Nonexpendable			244,399		244,399
Indemnification		10,000			10,000
Other		1,145			1,145
Unrestricted		37,756	68,889	2,407	109,052
Total Net Assets	$ 387,478	$ 79,849	$ 715,048	$ 9,669	$ 1,192,044

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities				
	Housing Authority	Science and Technology Authority	Higher Education	Nonmajor	Total
Operating Revenue:					
Tuition and Fees (net of discounts and allowances for scholarships of $19,906)	$	$	$ 144,577	$	$ 144,577
Use of Money and Property	154,368	77		1,047	155,492
Sales and Services (net of discounts and allowances for scholarships of $6,149)			79,275		79,275
Administering Programs			115,606		115,606
Other Revenue	8,831		39,432		48,263
Total Operating Revenue	163,199	77	378,890	1,047	543,213
Operating Expenses:					
Personal Services and Benefits	3,106	1,202	316,126	49	320,483
Travel	171	93	13,867		14,131
Contractual Services	9,955	1,361	79,772	105	91,193
Supplies and Materials	133	265	63,652		64,050
Grants and Subsidies	26,166		37,509		63,675
Other	163		3,829		3,992
Interest	85,728		23	1,082	86,833
Depreciation/Amortization	2,544	275	24,969	16	27,804
Total Operating Expenses	127,966	3,196	539,747	1,252	672,161
Operating Income (Loss)	35,233	(3,119)	(160,857)	(205)	(128,948)
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets			(379)		(379)
Interest Income		2,775	9,230	601	12,606
Interest Expense			(8,938)	(12)	(8,950)
Other Expense		(213)	(2,693)		(2,906)
State Aid from Primary Government			170,348		170,348
Federal Appropriation			6,252		6,252
Grant and Other Income		24,146	5,209		29,355
Total Nonoperating Revenue (Expenses)	0	26,708	179,029	589	206,326
Income (Loss) Before Capital Grants and Additions to Endowments	35,233	23,589	18,172	384	77,378
Capital Grants			7,549		7,549
Additions to Endowments			18,184		18,184
Change in Net Assets	35,233	23,589	43,905	384	103,111
Net Assets At Beginning of Year, as restated	352,245	56,260	671,143	9,285	1,088,933
Net Assets at End of Year	$ 387,478	$ 79,849	$ 715,048	$ 9,669	$ 1,192,044

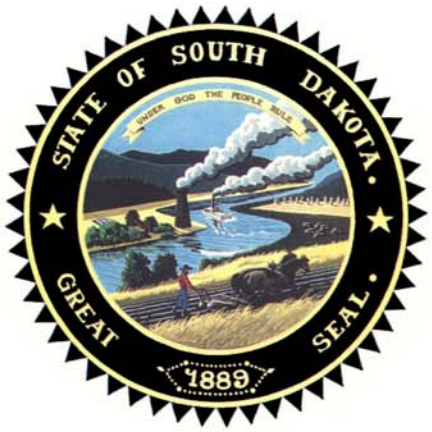
STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
June 30, 2008
(Expressed in Thousands)

	Business-type Activities			
	Finance Authority	CREP Program	Value Added Finance Authority	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,264	$ 236	$ 800	$ 2,300
Receivables:				
Interest and Dividends	104	22	2	128
Loans and Notes (Net)	1,565	165	138	1,868
Other (Net)		2		2
Investments	923			923
Deferred Fiscal Charges and Other Assets	63	20		83
Total Current Assets	3,919	445	940	5,304
Investments	1,605	298		1,903
Restricted Assets:				
Cash and Cash Equivalents	575			575
Investments	6,687			6,687
Other Noncurrent Assets (net)	24,270	218	704	25,192
Total Assets	37,056	961	1,644	39,661
Liabilities				
Current Liabilities:				
Accounts Payable and Other Liabilities	12	2		14
Bonds, Notes and Leases Payable	1,035	260	51	1,346
Accrued Interest Payable	313	3	9	325
Deferred Revenue		26		26
Other Current Liabilities	114			114
Total Current Liabilities	1,474	291	60	1,825
Noncurrent Liabilities:				
Bonds, Notes and Leases Payable	25,265	30	1,191	26,486
Other Noncurrent Liabilities	1,681			1,681
Total Noncurrent Liabilities	26,946	30	1,191	28,167
Total Liabilities	28,420	321	1,251	29,992
Net Assets				
Restricted For:				
Debt Service	7,262			7,262
Unrestricted	1,374	640	393	2,407
Total Net Assets	$ 8,636	$ 640	$ 393	$ 9,669

STATE OF SOUTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities			
	Finance Authority	CREP Program	Value Added Finance Authority	Total
Operating Revenue:				
Use of Money and Property	$ 943	$ 63	$ 41	$ 1,047
Total Operating Revenue	943	63	41	1,047
Operating Expenses:				
Personal Services and Benefits		49		49
Contractual Services	77	23	5	105
Interest	1,041	41		1,082
Depreciation/Amortization		16		16
Total Operating Expenses	1,118	129	5	1,252
Operating Income (Loss)	(175)	(66)	36	(205)
Nonoperating Revenue (Expenses):				
Interest Income	570	20	11	601
Interest Expense			(12)	(12)
Total Nonoperating Revenue (Expenses)	570	20	(1)	589
Change in Net Assets	395	(46)	35	384
Net Assets At Beginning of Year	8,241	686	358	9,285
Net Assets at End of Year	$ 8,636	$ 640	$ 393	$ 9,669

SouthDakota
GREAT FACES. GREAT PLACES.



STATISTICAL SECTION

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

	Fiscal Year			
	2008	2007	2006	2005
Governmental activities:				
Invested in capital assets, net of related debt	$ 3,053,427	$ 2,947,980	$ 2,829,173	$ 2,690,656
Restricted	1,032,035	1,091,917	1,012,357	280,219
Unrestricted	67,587	70,308	85,670	821,458
Total governmental activities net assets	$ 4,153,049	$ 4,110,205	$ 3,927,200	$ 3,792,333
Business-type activities				
Invested in capital assets, net of related debt	$ 2,565	$ 2,829	$ 3,184	$ 2,817
Restricted	284,272	284,322	262,293	227,167
Unrestricted	122,595	94,300	89,879	95,195
Total business-type activities net assets	$ 409,432	$ 381,451	$ 355,356	$ 325,179
Primary government				
Invested in capital assets, net of related debt	$ 3,055,992	$ 2,950,809	$ 2,832,357	$ 2,693,473
Restricted	1,316,307	1,376,239	1,274,650	507,386
Unrestricted	190,182	164,608	175,549	916,653
Total primary government net assets	$ 4,562,481	$ 4,491,656	$ 4,282,556	$ 4,117,512

	Fiscal Year		
	2004	2003	2002
Governmental activities:			
Invested in capital assets, net of related debt	$ 2,572,130	$ 2,520,503	$ 2,433,483
Restricted	253,780	248,126	209,216
Unrestricted	804,023	701,701	648,416
Total governmental activities net assets	$ 3,629,933	$ 3,470,330	$ 3,291,115
Business-type activities			
Invested in capital assets, net of related debt	$ 2,737	$ 2,615	$ 2,881
Restricted	215,957	197,892	197,428
Unrestricted	95,578	92,168	87,092
Total business-type activities net assets	$ 314,272	$ 292,675	$ 287,401
Primary government			
Invested in capital assets, net of related debt	$ 2,574,867	$ 2,523,118	$ 2,436,364
Restricted	469,737	446,018	406,644
Unrestricted	899,601	793,869	735,508
Total primary government net assets	$ 3,944,205	$ 3,763,005	$ 3,578,516

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2008).

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

(b) The increase in restricted net assets from FY 2005 to FY 2006 was primarily due to implementation of GASB 46 - Net Assets Restricted by Enabling Legislation.

State of South Dakota
Changes in Net Assets,
Last Seven Fiscal Years
(accrual basis of accounting, dollars in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental Activities:							
General Government	$ 175,272	$ 194,266	$ 175,826	$ 131,411	$ 131,737	$ 140,681	$ 138,637
Education - Elementary, Secondary and Vocational Schools	200,226	186,599	191,460	176,700	156,652	143,229	142,256
Education - State Support to Universities'	170,348	160,725	149,040	143,358	137,028	133,337	131,462
Health, Human and Social Services	1,127,618	1,043,771	1,012,533	978,950	903,644	876,202	837,325
Law, Justice, Public Protection and Regulation	233,676	232,526	212,600	200,024	180,802	169,792	148,004
Agriculture and Natural Resources	114,783	123,135	109,904	100,275	96,077	101,497	95,732
Commerce and Regulation	-	-	-	-	-	-	13,351
Economic Resources	47,226	39,371	58,235	42,419	37,260	36,763	28,170
Transportation	316,113	362,680	316,125	320,379	336,259	290,739	340,394
Intergovernmental - Payments to School Districts	376,843	346,582	338,008	337,507	326,559	312,665	322,290
Intergovernmental - Revenue Sharing	103,633	101,669	99,171	87,105	82,878	83,945	80,434
Unallocated Interest Expense	22,805	23,191	23,998	24,599	25,410	22,281	8,736
Unallocated Depreciation	58	58	58	53	53	70	70
Total Governmental activities expenses	2,888,601	2,814,573	2,686,958	2,542,780	2,414,359	2,311,201	2,286,861
Business-type activities:							
Lottery	33,419	31,404	32,409	27,516	28,034	23,873	21,981
Clean Water State Revolving	4,486	3,996	3,286	1,114	1,616	1,500	1,466
Drinking Water State Revolving	2,855	2,720	2,574	1,976	1,253	899	860
Other	54,688	56,247	60,613	63,057	61,464	59,853	54,267
Total business-type activities activities Expenses	95,448	94,367	98,882	93,663	92,367	86,125	78,574
Total primary government expenses	$ 2,984,049	$ 2,908,940	$ 2,785,840	$ 2,636,443	$ 2,506,726	$ 2,397,326	$ 2,365,435
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	$ 147,597	$ 142,225	$ 137,188	$ 130,213	$ 124,877	$ 119,522	$ 111,597
Education - Elementary,Secondary and Vocational Schools	3,451	4,137	4,055	2,024	1,776	2,209	2,720
Health, Human and Social Services	25,858	25,506	30,665	25,589	25,104	24,125	19,293
Law, Justice, Public Protection and Regulation	50,335	49,435	44,624	42,534	38,491	39,610	12,300
Agriculture and Natural Resources	65,783	54,403	52,962	48,436	53,609	47,313	45,743
Commerce and Regulation	-	-	-	-	-	-	26,164
Economic Resources	2,011	1,788	2,183	1,752	1,806	1,660	727
Transportation	6,815	6,007	13,718	8,510	9,177	5,742	5,052
Operating grants and contributions	1,246,925	1,258,548	1,205,317	1,197,637	1,134,512	1,108,871	1,043,588
Capital grants and contributions	25,395	1,000	6,570	6,564	922	2,734	1,784
Total governmental activities program revenues	1,574,170	1,543,049	1,497,282	1,463,259	1,390,274	1,351,786	1,268,968
Business-type activities:							
Charges for Services:							
Lottery	156,241	152,697	151,647	143,976	144,091	135,989	131,324
Clean Water State Revolving	4,826	4,479	3,659	3,441	3,152	3,166	3,002
Drinking Water State Revolving	3,582	3,460	2,773	2,102	1,585	1,009	942
Other	59,152	54,166	57,684	50,952	45,577	43,295	39,405
Operating grants and contributions	21,879	26,262	30,098	22,606	31,995	19,846	40,133
Total business-type activities program revenues	245,680	241,064	245,861	223,077	226,400	203,305	214,806
Total primary government program revenues	$ 1,819,850	$ 1,784,113	$ 1,743,143	$ 1,686,336	$ 1,616,674	$ 1,555,091	$ 1,483,774

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

(accrual basis of accounting, dollars in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Net (Expense)/Revenue							
Governmental activities	$ (1,314,431)	$ (1,271,524)	$ (1,189,676)	$ (1,079,521)	$ (1,024,085)	$ (959,415)	$ (1,017,893)
Business-type activities	150,232	146,697	146,979	129,414	134,033	117,180	136,232
Total primary government net (expense)/revenue	$ (1,164,199)	$ (1,124,827)	$ (1,042,697)	$ (950,107)	$ (890,052)	$ (842,235)	$ (881,661)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Sales taxes	$ 668,123	$ 625,133	$ 597,230	$ 554,647	$ 524,705	$ 488,742	$ 471,025
Motor fuel taxes	125,005	146,851	145,415	153,846	156,212	156,029	125,252
Contractors excise taxes	79,137	81,069	76,979	66,555	60,322	56,852	53,449
Bank card and franchise taxes	62,036	76,497	65,187	51,281	47,458	46,847	41,784
Other taxes	264,944	211,452	183,236	184,452	179,866	181,509	198,776
Unrestricted Investment Earnings	(18,946)	137,568	60,956	81,543	54,190	74,953	53,422
Gain on sale of capital assets	1,135	1,305	42,344	1,747	398	877	1,048
Miscellaneous	41,805	39,667	35,493	32,526	33,854	32,245	31,428
Transfers	122,251	120,065	117,703	118,507	112,762	111,906	108,925
Total governmental activities	1,345,490	1,439,607	1,324,543	1,245,104	1,169,767	1,149,960	1,085,109
Business-type activities:							
Transfers	(122,251)	(120,065)	(117,703)	(118,507)	(112,762)	(111,906)	(108,925)
Total business-type activities	(122,251)	(120,065)	(117,703)	(118,507)	(112,762)	(111,906)	(108,925)
Total primary government	$ 1,223,239	$ 1,319,542	$ 1,206,840	$ 1,126,597	$ 1,057,005	$ 1,038,054	$ 976,184
Change in Net Assets							
Governmental activities	$ 31,059	$ 168,083	$ 134,867	$ 165,583	$ 145,682	$ 190,545	$ 67,216
Business-type activities	27,981	26,632	29,276	10,907	21,271	5,274	27,307
Total primary government	$ 59,040	$ 194,715	$ 164,143	$ 176,490	$ 166,953	$ 195,819	$ 94,523

Source South Dakota Comprehensive Annual Financial Reports (FY 2002-2008).

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

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

(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Fund							
Reserved	$ 31,139	$ 32,581	$ 22,993	$ 23,326	$ 18,771	$ 19,202	$ 18,098
Unreserved	138,883	142,809	142,505	128,781	118,800	120,297	96,354
Total General Fund	$ 170,022	$ 175,390	$ 165,498	$ 152,107	$ 137,571	$ 139,499	$ 114,452
All other Governmental Funds							
Reserved	$ 886,761	$ 848,892	$ 836,770	$ 190,036	$ 203,256	$ 181,359	$ 159,383
Unreserved, Reported in:							
Special Revenue Funds	342,384	446,152	394,636	1,070,412	1,056,614	1,005,812	690,248
Capital Projects Funds	2,460	7,084	10,068	3,140	420	492	231
Total All Other Governmental Funds	$ 1,231,605	$ 1,302,128	$ 1,241,474	$ 1,263,588	$ 1,260,290	$ 1,187,663	$ 849,862

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2008).

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

State of South Dakota
Changes in Fund Balances, All Governmental Funds,
Last Seven Fiscal Years
(modified accrual basis of accounting, dollars in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Revenues							
Taxes							
Sales & Use	668,123	$ 625,133	$ 597,230	$ 554,647	$ 524,706	$ 488,742	$ 471,025
Insurance Company	60,930	55,900	55,810	56,295	52,623	48,545	45,440
Liquor	13,044	13,138	12,602	12,349	12,281	10,899	11,219
Cigarette	57,160	43,998	26,689	26,246	26,270	20,336	17,466
Bank Franchise	62,036	76,497	65,187	51,281	47,458	46,847	41,784
Contractor's Excise	79,137	81,069	76,980	66,555	60,322	56,853	53,449
Severance	6,847	5,160	4,422	3,060	1,989	2,027	3,019
Other Tobacco	5,368	2,230	1,460	1,456	1,341	1,330	1,258
Motor Fuel & Vehicle	187,654	176,788	171,095	179,424	181,935	177,828	173,805
Other	59,005	61,088	56,573	59,462	59,639	76,573	71,823
Licenses, Permits & Fees	175,989	166,133	159,597	150,695	144,392	139,700	136,917
Fines, Forfeits & Penalties	11,141	8,637	7,397	8,601	7,549	6,723	6,845
Use of Money & Property	(2,123)	160,057	86,306	96,156	66,892	92,569	63,558
Sales & Services	33,885	31,764	27,204	26,645	26,267	24,843	19,111
Admin. Programs	1,222,191	1,232,755	1,195,842	1,185,536	1,125,402	1,093,374	1,027,860
Tobacco Settlement	27,616	21,369	20,415	22,239	21,911	25,603	-
Other Revenue	26,215	27,864	32,442	24,409	24,817	21,348	46,427
Total Revenues	2,694,218	2,789,580	2,597,251	2,525,056	2,385,794	2,334,140	2,191,006
Expenditures							
General Government	76,431	79,349	76,734	71,221	63,634	62,544	61,705
Education	743,024	690,874	675,100	653,690	616,440	586,041	592,498
Health, Human & Social Services	1,124,311	1,038,035	1,010,287	976,328	903,694	874,339	834,224
Law, Justice, Public Protection & Regulation	231,559	224,404	232,803	211,421	195,300	175,346	149,657
Agriculture & Natural Resources	123,257	123,367	109,781	100,920	97,095	107,985	97,297
Commerce & Regulation	-	-	-	-	-	-	13,279
Economic Resources	46,893	39,124	57,981	42,436	37,354	36,831	28,133
Transportation	400,200	492,073	477,845	440,681	390,903	390,628	411,526
State Shared Revenue	103,633	101,669	99,171	87,105	82,878	83,945	80,434
Capital Outlay	4,622	8,982	-	-	1	36	5
Debt Service:							
Principal	24,582	21,419	15,704	16,955	16,528	18,653	11,428
Interest	21,542	21,832	22,980	23,501	24,426	19,778	7,743
Bond Issuance Costs	-	-	-	-	-	1,618	-
Total Expenditures	2,900,054	2,841,128	2,778,386	2,624,258	2,428,253	2,357,744	2,287,929
Excess of Revenues Over (Under) Expenditures	(205,836)	(51,548)	(181,135)	(99,202)	(42,459)	(23,604)	(96,923)
Other Financing Sources (Uses):							
Bonds Issued		5,950	10,000	12,635	-	278,045	-
Discount on Bond Issuances		-	-	(80)	-	(5,472)	-
Proceeds of Refunding Bonds		25,855	2,864	-	-	1,263	444
Payments on Advance Refundings		(26,715)	(2,932)	-	-	(1,274)	-
Premiums on Bond Issuance		15	280	-	-	-	-
Premiums on Refunding Bonds		1,165	149	10	-	60	-
Proceeds from Sale of Capital Assets	2,757	2,707	10,799	-	-	-	-
Capital Leases		-	-	-	-	935	-
Transfers In	436,670	370,854	415,783	361,842	295,628	575,562	378,226
Transfers Out	(311,538)	(257,737)	(298,868)	(244,727)	(183,247)	(464,079)	(270,322)
Net Other Financing Sources (Uses)	127,889	122,094	138,075	129,680	112,381	385,040	108,348
Special Item							
Sale of Railroad Infrastructure	-	-	34,337	-	-	-	-
Total Special Items	-	-	34,337	-	-	-	-
Net Change in Fund Balances	(77,947)	$ 70,546	$ (8,723)	$ 30,478	$ 69,922	$ 361,436	$ 11,425
Debt Sevice as a Percentage of Noncapital Expenditures	1.71%	1.64%	1.53%	1.68%	1.79%	1.83%	0.89%

Source: South Dakota Comprehensive Annual Financial Reports (FY 2002-2008).

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

SouthDakota
GREAT FACES. GREAT PLACES.

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

	Fiscal Year						
Taxable Sales by Industry	2008	2007	2006	2005	2004	2003	2002
Agriculture, Forestry, and Fishing	$ 199,715	$ 178,366	$ 170,983	$ 157,489	$ 149,210	$ 130,298	$ 121,973
Mining	87,996	79,841	73,130	48,785	36,058	33,672	34,027
Construction	34,042	18,338	20,626	16,761	16,041	25,046	28,745
Manufacturing	658,846	675,156	611,195	482,265	400,590	380,073	350,742
Transportation and Public Utilities	2,324,638	2,010,946	1,853,628	1,743,112	1,756,328	1,527,025	1,436,501
Wholesale Trade	1,253,201	1,151,922	1,115,834	998,408	1,434,049	1,262,450	1,337,265
Retail Trade	8,572,397	8,080,893	7,870,890	7,510,802	6,506,744	6,145,005	5,981,705
Finance, Insurance, and Real Estate	320,208	318,811	317,054	289,072	265,752	261,591	223,321
Services	2,721,315	2,561,395	2,346,888	2,219,300	2,134,617	2,053,825	1,976,614
Public Administration	1,456	1,337	1,307	1,219	560	549	440
Nonclassifiable Establishments	36	8	9	5	117	5	-
Totals	$ 16,173,850	$ 15,077,013	$ 14,381,544	$ 13,467,218	$ 12,700,066	$ 11,819,539	$ 11,491,333
Direct Sales Tax Rate	4.00%	4.00%	3.98%	3.97%	3.97%	3.98%	3.97%

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

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

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

	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 2005			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,599	3.95%	$ 157,489	1.169%
Mining	140	0.21%	48,785	0.362%
Construction	482	0.73%	16,761	0.124%
Manufacturing	1,973	3.00%	482,265	3.581%
Transportation and Public Utilities	3,564	5.41%	1,743,112	12.943%
Wholesale Trade	4,769	7.24%	998,408	7.414%
Retail Trade	23,974	36.42%	7,510,802	55.771%
Finance, Insurance, and Real Estate	1,623	2.47%	289,072	2.146%
Services	26,675	40.52%	2,219,300	16.479%
Public Administration	30	0.05%	1,219	0.009%
Nonclassifiable Establishments	2	0.00%	5	0.000%
Total	65,831	100.00%	$ 13,467,218	100.00%

	Fiscal Year 2002			
	Number of Filers	Percent of Total	Taxable sales	Percent of Total
Agriculture, Forestry, and Fishing	2,197	3.71%	$ 121,973	1.06%
Mining	132	0.22%	34,027	0.30%
Construction	533	0.90%	28,745	0.25%
Manufacturing	1,700	2.87%	350,742	3.05%
Transportation and Public Utilities	3,551	6.00%	1,436,501	12.50%
Wholesale Trade	5,083	8.59%	1,337,265	11.64%
Retail Trade	20,939	35.37%	5,981,705	52.05%
Finance, Insurance, and Real Estate	1,438	2.43%	223,321	1.94%
Services	23,596	39.86%	1,976,614	17.20%
Public Administration	25	0.04%	440	0.00%
Nonclassifiable Establishments	2	0.01%	-	0.00%
Total	59,196	100.00%	$ 11,491,333	100.00%

Fiscal Year 2007				Fiscal Year 2006			
Number of Filers	Percent of Total	Taxable sales	Percent of Total	Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,665	3.87%	$ 178,366	1.18%	2,711	4.21%	$ 170,983	1.19%
170	0.25%	79,841	0.53%	153	0.24%	73,130	0.51%
461	0.67%	18,338	0.12%	502	0.78%	20,626	0.14%
2,778	4.04%	675,156	4.48%	2,120	3.29%	611,195	4.25%
3,077	4.47%	2,010,946	13.34%	2,722	4.23%	1,853,628	12.89%
5,444	7.91%	1,151,922	7.64%	3,932	6.11%	1,115,834	7.76%
25,655	37.27%	8,080,893	53.60%	23,505	36.50%	7,870,890	54.73%
1,846	2.68%	318,811	2.12%	1,678	2.61%	317,054	2.21%
26,711	38.80%	2,561,395	16.99%	27,037	41.98%	2,346,888	16.32%
35	0.05%	1,337	0.01%	34	0.05%	1,307	0.01%
1	0.00%	8	0.00%	1	0.00%	9	0.00%
68,843	100.00%	$ 15,077,013	100.00%	64,395	100.00%	$ 14,381,544	100.00%

Fiscal Year 2004				Fiscal Year 2003			
Number of Filers	Percent of Total	Taxable sales	Percent of Total	Number of Filers	Percent of Total	Taxable sales	Percent of Total
2,409	3.92%	$ 149,210	1.18%	2,329	3.86%	$ 130,298	1.10%
136	0.22%	36,058	0.28%	138	0.23%	33,672	0.29%
495	0.81%	16,041	0.13%	576	0.96%	25,046	0.21%
1,769	2.88%	400,590	3.15%	1,671	2.77%	380,073	3.22%
3,568	5.81%	1,756,328	13.83%	3,656	6.05%	1,527,025	12.92%
4,820	7.85%	1,434,049	11.29%	4,821	7.98%	1,262,450	10.68%
21,780	35.48%	6,506,744	51.23%	21,316	35.30%	6,145,005	51.99%
1,516	2.47%	265,752	2.09%	1,515	2.51%	261,591	2.21%
24,864	40.51%	2,134,617	16.81%	24,338	40.30%	2,053,825	17.38%
23	0.04%	560	0.00%	26	0.04%	549	0.01%
4	0.01%	117	0.00%	3	0.00%	5	0.00%
61,384	100.00%	$ 12,700,066	100.00%	60,389	100.00%	$ 11,819,539	100.00%

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

Notes:

(a) Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax resources.

(b) Taxable sales: This is the amount of sales and use taxable sales subject to state tax or reservation tax. No Contractors Excise taxes are included.

(c) Prior to 2007, whenever there was less than 3 licenses in any one classification, the information was combined into the the "Nonclassifiable Establishments" category.

(d) Prior to January 1, 2006, a tax was imposed upon gross receipts from selling, leasing, and renting tangible personal property and the sales of services, except for the gross receipts from the sale and lease of agricultural machinery, irrigation equipment, and oil and gas field services, which were taxed at 3%. Beginning January 1, 2006, all items subject to the state sales tax will be taxed at 4% to conform to the Streamlined Sales Tax Project. A use tax of the same rate as the sales tax rate is imposed on goods and services that are used, stored, or consumed in South Dakota on which South Dakota sales tax was not paid.

(e) The taxable figures could include amended returns or payments that were recognized in a different year.

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

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

(dollars in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental Activities:							
Revenue Bonds	$ 302,663	$ 324,250	$ 336,976	$ 339,676	$ 341,468	$ 352,540	$ 96,306
Trust Certificates	26,870	29,730	32,465	35,080	37,575	39,955	42,210
Capital Leases	30,971	30,992	30,925	34,413	34,729	34,255	38,368
Loans	-	-	-	-	-	-	44
Total Governmental Activities	360,504	384,972	400,366	409,169	413,772	426,750	176,928
Business-type Activities:							
Revenue Bonds	$ 135,525	99,798	102,322	52,272	28,853	30,284	31,359
Capital Leases	-	-	4	13	21	29	25
Total Governmental Activities	135,525	99,798	102,326	52,285	28,874	30,313	31,384
Total Primary Government	$ 496,029	$ 484,770	$ 502,692	$ 461,454	$ 442,646	$ 457,063	$ 208,312
South Dakota Total Personal Income	$ 30,056,778	$ 28,453,696	$ 25,426,909	$ 25,088,440	$ 23,853,345	$ 22,385,746	$ 20,595,878
Debt as a Percentage of Personal Income	1.7%	1.7%	2.0%	1.8%	1.9%	2.0%	1.0%
South Dakota Population (in thousands)	804	796	787	779	774	766	762
Long-Term Debt per Capita	$ 616.95	$ 609.01	$ 638.74	$ 592.37	$ 571.89	$ 596.69	$ 273.38

Source: Debt information obtained from the South Dakota Comprehensive Annual Financial Reports (FY 2002-2008)
Total Personal Income and Population data compiled by USD Business Research Bureau, South Dakota State Data Center.

Note: (a) South Dakota Total Personal Income figure for 2008 is preliminary.
(b) Data for Total Personal Income for 2004 through 2007 has been revised.
(c) Detail about the State's debt can be found in Note 13 of the financial statements.
(e) Generally, the State Constitution prohibits the State from having general obligation indebtedness in excess of $100,000.
(f) The State has no specific limitation of the debt that can be issued by the Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, however Legislative approval is required.
(g) To be consistent with most of the other statistical data presented, data will be reported back to FY 2002.

State of South Dakota
Ratios of Outstanding Long-Term Debt,
Last Seven Fiscal Years
(dollars in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Revenue Bonds and Trust Certificates - Building Authority							
Revenue - lease payments	$ 17,003	$ 16,778	$ 16,989	$ 17,182	$ 17,811	$ 18,425	$ 19,119
Less: Operating expenses	-	-	-	-	-	-	-
Net available revenue	$ 17,003	$ 16,778	$ 16,989	$ 17,182	$ 17,811	$ 18,425	$ 19,119
Debt service							
Principal	$ 11,791	$ 11,479	$ 11,196	$ 11,255	$ 11,265	$ 11,288	$ 11,408
Interest	5,071	4,003	5,844	5,985	6,121	7,125	7,757
Total	$ 16,862	$ 15,482	$ 17,040	$ 17,240	$ 17,386	$ 18,413	$ 19,165
Coverage	1.01	1.08	1.00	1.00	1.02	1.00	1.00
Revenue Bonds -Educational Enhancement Funding Corp.							
Revenue -							
Tobacco settlement	$ 27,679	$ 25,071	$ 19,471	$ 22,324	$ 22,056	$ 25,603	
Investment Earnings	1,437	1,401	1,509	1,258	1,113	943	
Less: Operating expenses	149	158	148	176	179	145	
Net available revenue	$ 28,967	$ 26,314	$ 20,832	$ 23,406	$ 22,990	$ 26,401	
Debt service							
Principal	$ -	$ -	$ -	$ -	$ -	$ 2,205	
Interest	16,480	16,841	17,134	17,522	17,868	12,624	
Total	$ 16,480	$ 16,841	$ 17,134	$ 17,522	$ 17,868	$ 14,829	
Coverage	1.76	1.56	1.22	1.34	1.29	1.78	
Revenue Bonds -Clean Water State Revolving Fund							
Revenue:							
Loan Repayments	$ 14,689	$ 10,780	$ 9,702	$ 11,593	$ 9,460	$ 11,105	$ 11,816
Investment Income	2,258	3,104	4,046	3,048	2,972	2,930	2,851
Other Income	1,212	1,122	866	793	694	690	678
Less: Operating expenses	1,710	1,448	1,219	485	471	286	109
Net available revenue	$ 16,449	$ 13,558	$ 13,395	$ 14,949	$ 12,655	$ 14,439	$ 15,236
Debt service							
Principal	$ 2,635	$ 1,210	$ 1,165	$ 150	$ 1,125	$ 945	$ 900
Interest	2,477	2,376	1,709	260	1,007	1,061	1,055
Total	$ 5,112	$ 3,586	$ 2,874	$ 410	$ 2,132	$ 2,006	$ 1,955
Coverage	3.22	3.78	4.66	36.46	5.94	7.20	7.79
Revenue Bonds -Drinking Water State Revolving Fund							
Revenue:							
Loan Repayments	$ 10,599	$ 9,230	$ 5,322	$ 4,348	$ 5,816	$ 4,297	$ 2,275
Investment Income	1,641	1,828	2,055	1,995	520	594	463
Other Income	868	835	678	511	388	217	205
Less: Operating expenses	70	50	-	-	-	-	-
Net available revenue	$ 13,038	$ 11,843	$ 8,055	$ 6,854	$ 6,724	$ 5,108	$ 2,943
Debt service							
Principal	$ 1,685	$ 1,360	$ 440	$ 415	$ 400	$ 225	$ 215
Interest	2,142	2,074	2,147	1,732	511	527	474
Total	$ 3,827	$ 3,434	$ 2,587	$ 2,147	$ 911	$ 752	$ 689
Coverage	3.41	3.45	3.11	3.19	7.38	6.79	4.27

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

Note: (a) The Building Authority, Educational Enhancement Funding Corporation, Clean Water State Revolving Fund, and Drinking water State Revolving Fund are considered to be blended component units of the State. The Revenue Bonds and Trust Certificates issued by these entities may not be or become a lien, charge, or liability against the State.

(b) For the Educational Enhancement Funding Corp: Based upon the adjusted mandatory principal payments. Not in the calculation, $38,862,000 in principal has been turbo redeemed from June 1, 2003 through June 30, 2008.

(c) Debt coverage on Clean Water bonds in FY 2005 is 36.46% because all but one previous bond issue was refunded during that fiscal year, so there was not any debt services payment on those bonds during that fiscal year.

(d) The Educational Enhancement Funding Corporation was created in FY 2003.

(e) All funds are presented on a accrual basis except for the Building Authority Fund which is presented on a cash basis.

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

POPULATION (THOUSANDS)

YEAR	UNITED STATES	PERCENT CHANGE	WEST N. CENTRAL	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2008	304,060	0.9%	20,166	0.7%	804	1.1%
2007	301,290	1.0%	20,025	0.7%	796	1.0%
2006	298,363	0.9%	19,883	0.7%	787	1.0%
2005	295,561	0.9%	19,750	0.5%	779	0.7%
2004	292,892	0.9%	19,646	0.5%	774	0.9%
2003	290,211	0.9%	19,539	0.4%	766	0.6%
2002	287,727	0.9%	19,454	0.4%	762	0.4%
2001	285,040	1.3%	19,368	0.7%	759	0.5%
2000**	281,422	0.9%	19,238	0.6%	755	0.7%
1999	279,040	1.2%	19,131	0.8%	750	0.5%
1998	275,854	1.2%	18,988	0.7%	746	0.3%

NOTE: Midyear (July 1) population estimates. Revised estimates for 2001, 2002, 2003, 2004, 2005, 2006, 2007 and estimates for 2008 were released December 2008. With each new release of July 1 population estimates, the Census Bureau revises estimates for years back to the last census.

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

** April 1,2000

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

TOTAL PERSONAL INCOME (MILLIONS)

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2007	$ 11,631,571	6.0%	$ 733,581	6.6%	$ 28,396	11.7%
2006r	10,977,312	7.1%	688,038	5.1%	25,421	1.3%
2005r	10,252,849	5.6%	654,813	3.8%	25,096	5.2%
2004r	9,711,363	6.1%	630,728	5.4%	23,853	6.6%
2003	9,150,320	3.1%	598,619	3.8%	22,386	8.7%
2002	8,872,871	1.8%	576,806	2.5%	20,596	0.8%
2001	8,716,992	3.5%	562,733	3.1%	20,429	5.1%
2000	8,422,074	8.0%	545,882	6.7%	19,438	5.8%
1999	7,796,137	5.1%	511,507	3.9%	18,367	4.8%
1998	7,415,709	7.4%	492,324	6.9%	17,523	7.3%
1997	6,907,332	6.1%	460,385	5.3%	16,335	2.4%

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

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

SOURCE: U.S. Department of Commerce, September 2008.
Compiled by USD Business Research Bureau, South Dakota State Data Center.

UNEMPLOYMENT RATE
(Seasonally Adjusted)

YEAR	SOUTH DAKOTA	UNITED STATES
*2008	3.0%	5.8%
2007	3.0%	4.6%
2006	3.1%	4.6%
2005	3.6%	5.1%
2004	3.7%	5.5%
2003	3.5%	6.0%
2002	3.3%	5.8%
2001	3.1%	4.7%
2000	2.7%	4.0%
1999	2.8%	4.2%
1998	3.0%	4.5%

* Preliminary.

Estimates for 2000 through 2007 have been recently updated.

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

PER CAPITA PERSONAL INCOME

YEAR	UNITED STATES	PERCENT CHANGE	PLAINS*	PERCENT CHANGE	SOUTH DAKOTA	PERCENT CHANGE
2007p	$ 38,564	5.0%	$ 36,587	5.9%	$ 35,664	10.6%
2006r	36,744	6.0%	34,557	4.3%	32,241	0.2%
2005r	34,650	4.6%	33,123	3.3%	32,172	4.4%
2004r	33,123	5.1%	32,078	4.8%	30,813	5.6%
2003r	31,504	2.2%	30,618	3.3%	29,191	8.0%
2002r	30,821	0.8%	29,638	2.0%	27,029	0.4%
2001r	30,574	2.4%	29,052	2.6%	26,922	4.7%
2000r	29,845	6.8%	28,326	5.9%	25,721	5.1%
1999	27,939	3.9%	26,737	3.1%	24,475	4.2%
1998	26,883	6.1%	25,928	6.2%	23,488	7.0%
1997	25,334	4.8%	24,422	4.5%	21,949	2.1%

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

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

SOURCE: U.S. Department of Commerce, September 2008. U.S. Census Bureau for midyear (July 1) population estimates. Compiled by USD Business Research Bureau, South Dakota State Data Center.

State of South Dakota
Top Ten Employers
2007 as Compared to 1998

2007 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	**South Dakota State Government***	**14,018**	3.3%
2	**Federal Government (Statewide)**	**11,079**	2.6%
3	**Avera System-Wide (SD)**	**9,088**	2.1%
4	**Sioux Falls MSA Local Government****	**7,998**	1.9%
5	Sanford System-Wide (SD)	6,500	1.5%
6	Rapid City MSA Local Government**	5,725	1.3%
7	Wal-Mart (SD)	4,936	1.1%
8	Wells Fargo (SD)	4,526	1.1%
9	Rapid City Regional Health System-Wide (SD)	4,200	1.0%
10	Sanford USD Medical Center (Hospital - Sioux Falls)	4,200	1.0%
		72,270	16.8%
	Total SD Employment 2007	429,495	

* includes Board Of Regent employees, a component unit of the State of South Dakota
** Labor Market Information Center (LMIC) only provides data for covered workers for Sioux Falls and Rapid City Metropolitain Statistical Areas (MSA). Other cities are not available.

Sources: Company websites, public relations offices, SD State Govt, SF MSA Local Govt and RC MSA Local Govt figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).
Compiled by USD Business Research Bureau, South Dakota State Data Center.

Note: (a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.
(b) Rapid City MSA includes the following counties: Pennington and Meade.
(c) Per LMIC, school district employment data is not available.

1998 Rank	Employer	South Dakota Employees	Percentage of Total South Dakota Employment
1	**South Dakota State Government***	**12,811**	3.3%
2	**Federal Government (Statewide)**	**10,853**	2.8%
3	Gateway 2000 (North Sioux City & Sioux Falls)	6,900	1.8%
4	**Sioux Falls MSA Local Government****	**6,633**	1.7%
5	Rapid City MSA Local Government**	4,622	1.2%
6	Sioux Valley Hospital (Sioux Falls)	3,415	0.9%
7	Citibank South Dakota NA (Sioux Falls)	3,200	0.8%
8	John Morrell & Company (Sioux Falls)	3,050	0.8%
9	Rapid City Regional Hospital (Rapid City)	2,479	0.6%
10	McKennan Hospital (Sioux Falls)	2,397	0.6%
		56,360	14.5%
	Total SD Employment 1998	389,750	

* includes Board Of Regent employees, a component unit of the State of South Dakota
** Labor Market Information Center (LMIC) only provides data for covered workers for Sioux Falls and Rapid City Metropolitain Statistical Areas (MSA). Other cities are not available.

Sources: FY 1999 Comprehensive Annual Financial Report. Company websites, public relations offices. SD State Govt, SF MSA Local Govt and RC MSA Local Govt figures are from SD Covered Workers Annual Information, SD Dept of Labor, Labor Market Information Center (LMIC).
Compiled by USD Business Research Bureau, South Dakota State Data Center.

Note: (a) Sioux Falls MSA includes the following counties: Lincoln, McCook, Minnehaha and Turner.
(b) Rapid City MSA includes the following counties: Pennington and Meade.
(c) Per LMIC, school district employment data is not available.

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

	2008p	2007r	2006r	2005r	2004r	2003r	2002r	2001r	2000r	1999r
Natural Resources/Mining/Construction*	23.4	23.1	22.8	21.9	20.7	20.2	19.6	19.5	19.3	18.4
Manufacturing	42.8	42.0	41.6	39.8	38.9	37.7	38.4	41.0	43.8	44.2
Trade/Transportation/Utilities	82.1	81.6	80.1	78.9	77.2	76.4	76.5	77.0	76.9	75.8
Wholesale Trade	18.8	18.5	18.2	17.6	17.1	16.7	16.7	16.7	16.5	16.5
Retail Trade	50.2	50.2	49.2	49.3	48.5	48.2	48.1	48.3	48.3	47.5
Trans/Warehsing/Util	13.1	12.9	12.7	12.1	11.5	11.5	11.8	12.1	12.0	11.9
Information	7.0	7.2	6.9	6.8	6.7	6.8	6.8	6.8	6.9	6.7
Financial Activities	31.4	30.8	29.5	28.5	27.8	27.7	27.9	28.0	26.2	25.1
Professional/Business Srvs.	28.2	27.6	25.7	24.5	24.2	24.3	24.9	25.9	27.3	25.4
Educational/Health Services	61.9	60.0	58.5	57.4	56.5	55.4	54.0	52.6	51.3	50.0
Leisure and Hospitality	43.1	42.8	42.5	41.7	40.7	39.7	39.4	38.6	38.5	37.7
Other Services (Except Public Administration)	15.9	15.8	15.6	15.5	15.9	15.7	15.9	15.8	16.4	16.7
Government	76.2	75.6	75.3	75.3	75.0	74.6	74.2	73.4	71.2	70.2
TOTAL	412.0	406.4	398.6	390.1	383.7	378.4	377.5	378.7	377.9	370.2
% Change in Nonfarm Employment	1.4%	2.0%	2.2%	1.7%	1.4%	0.2%	-0.3%	0.2%	2.1%	2.8%

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

[1] Based on NAICS.
p = Preliminary Data, r = Revised Data

*Effective January 1, 2008, the construction category is no longer separated out for **nonfarm wage and salaried workers**. It is now combined with "Natural Resources and Mining."

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

EXPANDED AND NEW INDUSTRIES
(Dollars Expressed in Millions)

	EXPANSIONS		NEW		TOTAL	
	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT	NUMBER	NEW CAPITAL INVESTMENT
2008	522	342.3	13	59.5	535	$401.8
2007	528	733.4	8	2.7	536	736.1
2006	461	263.6	13	143.9	474	407.5
2005	344	221.0	16	54.1	360	275.1
2004	476	169.5	20	72.3	496	241.8
2003	496	191.5	21	206.0	517	397.5
2002	466	156.5	6	9.4	472	165.9
2001	544	141.6	13	96.5	557	238.1
2000	438	249.1	16	10.6	454	259.7
1999	478	261.9	14	23.4	492	285.3

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

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

SouthDakota
GREAT FACES. GREAT PLACES.

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

Function of State Government:	Fiscal Year 2008	2007	2006	2005	2004	2003	2002
General Government	1000	993	990	979	964	974	975
Health, Human, and Social Services	3051	3,054	3,113	3,083	2,995	2,992	2,887
Law, Justice, Public Protection, and Regulation	2131	2,110	2,081	2,012	1,969	1,950	1,989
Agriculture and Natural Resources	908	899	907	911	891	884	865
Transportation	1015	1,012	1,024	1,020	1,007	1,027	1,035
Education	224	237	240	242	227	235	226
Economic Resources	180	168	170	168	164	162	168
State Total	8,509	8,473	8,525	8,415	8,217	8,224	8,145

Source: State's Budget System RB03

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

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

	Fiscal Year		
General Government	2008	2007	2006
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			
Data Storage (GB)	N/A	10,347	6,273
SDPB Local Production (Hours)	736	740	719
Radio Calls through Digital Network	21,885,767	22,584,630	18,719,091
Bureau of Personnel			
Health: Employees, COBRA, Retirees/Dependents	13,171 / 11,696	13,133 / 11,846	13,105 / 11,713
Bureau of Administration			
Pieces of Mail Handled/Year	9,909,143	11,638,363	9,977,094
Total Miles Driven	38,788,928	38,180,716	39,406,852
Revenue			
Total Active Business Licenses	73,456	72,315	70,685
Vehicles Registered	1,168,616	1,129,972	1,135,960
Misc. Special Tax Licenses	5,580	5,672	8,030
Lottery			
Licensed Lottery Retailers--Instant	620	615	609
Licensed Lottery Retailers--On-line	476	447	407
Legislature			
Legislative Research Council	N/A	N/A	N/A
Auditor General			
Audits Performed	56	81	69
Audits Reviewed (IPA reports)	318	322	293
School and Public Lands			
Apportion common school interest fund and income to school districts (in Thousands)	$ 8,771	$ 8,453	$ 8,265
Apportion endowed income and interest fund to ten endowed institutions (in Thousands)	$ 3,915	$ 2,026	$ 1,753
Secretary of State			
Business and Secured Transaction Filings	100,959	101,215	95,518
State Treasurer			
Cash Receipts (Thousands)	$ 3,843,830	$ 3,705,226	$ 3,625,844
Unclaimed Property - Claims Paid	6,505	5,084	6,138
State Auditor			
Vouchers Audited	287,358	287,076	309,479
Warrants Written	507,447	595,412	634,882
Health, Human, and Social Services			
Social Services			
Medicaid Enrolled/Month	102,310	100,393	100,274
Long Term Care Services - Clients Served	4,359	4,419	4,452
Health			
Immunization Rate, Children 19-35 months 4:3:1:3:3 shot series	N/A	N/A	N/A
Public Health Investigations	13,014	12,922	15,416
Labor			
State Labor Force	444,135	440,030	432,442
Unemployment Rate	2.80%	3.00%	3.50%
South Dakota Retirement System			
Budget Compared to Assets	0.045%	0.044%	0.044%
Budget Compared to Benefits	1.110%	1.220%	1.260%
Veterans Benefits and Services			
South Dakota Veteran Population	74,273	73,325	74,224
State Veterans' Home			
Average Daily Census	123.9	119.4	118.6
Human Services			
People with Developmental disabilities served	2,776	2,762	2,727
People with mental illness served	12,901	12,246	11,591
People with substance abuse issues served	15,146	15,069	14,180
People receiving vocational rehabilitation services	5,714	6,508	6,819

	Fiscal Year			
	2005	2004	2003	2002
	Annual Annual	Annual Annual	Annual Annual	Annual Annual
	1,732 615 14,377,144	822 533 13,200,000	624 381 7,200,000	374 355 1,000
	12,853 / 11,093	12,535 / 10,856	12,344 / 10,625	12,419 / 10,370
	10,286,652 39,017,332	10,381,413 37,488,578	10,053,075 37,197,089	10,494,749 37,053,900
	68,691 1,102,710 7,977	67,219 1,081,123 7,532	64,839 1,052,766 7,319	63,222 1,031,453 7,182
	597 365	589 353	567 345	569 348
	N/A	N/A	N/A	N/A
	73 271	83 308	97 275	78 260
$	4,297	$ 6,649	$ 9,219	$ 10,381
$	1,464	$ 1,275	$ 1,820	$ 2,100
	102,162	90,387	73,792	97,641
$	3,402,620	$ 3,300,787	$ 3,091,868	$ 2,954,343
	8,398	13,410	4,376	3,180
	310,579 737,425	292,110 899,687	290,140 936,117	289,321 947,737
	97,810 4,642	95,043 4,634	91,123 4,792	85,516 4,720
	87% 16,711	86% 13,080	81% 11,716	80% 9,146
	427,374 3.80%	426,196 3.50%	421,980 3.00%	415,903 3.40%
	0.049% 1.300%	0.049% 1.400%	0.059% 1.500%	0.056% 1.600%
	75,104	75,966	78,000	77,400
	122	121	123	128
	2,668 10,389 16,394 6,717	2,521 9,665 16,524 6,401	2,457 9,288 17,190 6,140	2,395 9,032 16,879 6,017

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

	Fiscal Year		
Law, Justice, Public Protection, and Regulation	2008	2007	2006
Corrections			
Adult System ADP (Average Daily Population)	3,373	3,412	3,466
Avg. Daily Population on Supervision	2,379	2,312	2,011
Juvenile Institutional and Placement ADP	461.2	488.6	510.1
Unified Judicial System			
Felony Offenses Filings/Pending	5,797 / 7,104	5,660 / 7,388	6,970 / 7,462
Class one Misdemeanor Filings/Pending	22,611 / 22,924	23,464 / 22,296	24,064 / 22,570
Class two Misdemeanor Filings/Pending	139,262 / 46,389	139,933 / 43,043	141,405 / 43,614
Attorney General			
New Cases Opened/Closed/Pending (thousands)	1.1/ .9/2.0	1.1/1.0/1.9	1.2/1.2/1.9
Investigations Conducted by DCI	759	534	599
Public Safety			
Patrol of Public Highways (Hours)	124,763	139,828	136,428
Driver Licenses Issued	195,900	205,260	198,755
Military and Veterans Affairs			
Assigned Strength of the Army Guard	3,368	3,360	3,425
Assigned Strength of the Air Guard	1,012	1,008	1,015
Appraiser Program			
New / Renewed licenses	22 / 354	17 / 360	33 / 361
Revenue Financial Services			
Banking Institutions Examined	561	376	609
Dealer, Broker & Investment Advisor Agents Licensed	63,004	60,015	54,396
Renewed & Issued Insurance Appointments/Licenses	223,240	210,739	211,904
Revenue Boards and Commissions			
New & Renewed Licenses Issued	8,387	7,351	7,759
Public Utilities Commission			
Dockets Opened	227	306	258
Agriculture and Natural Resources			
Agriculture			
Wildfires Suppressed: (Fires/Acres)	595 / 55,731	904 / 288,616	762 / 47,860
Dairy Inspections	13,000	13,500	1,549
Marketing Consultations	396	300	220
Insect & Disease Individual Assists	500	792	390
Game, Fish and Parks			
Total Park Visitations	7,371,201	7,326,503	7,202,975
Acres of Walk-In Areas	1,152,653	1,000,000	1,080,000
Environment and Natural Resources			
Dollars Awarded/Number of Grants and Loans (added water quality grants in FY05 & FY06)	99.3M / 113	34.8M / 102	91.4M / 135
Total number of Regulated Facilities	25,677	24,445	23,123
Petroleum Release Compensation			
Petroleum Release Cases Initiated	45	22	29
Abandoned Tank site Cases Initiated	33	45	38
Transportation			
Transportation			
Percent of Non-interstate State Highway system main lane pavement mileage rated good or better on condition index	82.6	83.3	77.8
Percent of interstate pavement in excellent condition based on condition index	39.6	40.6	35.2
Education			
Student K-12 public school fall enrollment	121,089	120,278	120,682
Economic Resources			
Tourism and State Development			
Capital Investment Reported (Millions)	$ 736.10	$ 407.50	$ 275.10
New Jobs Created (calendar year)	4,083	3,044	3,202
Tourism's Impact on South Dakota Economy (billions)	$ 2.54	$ 2.35	$ 2.16

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

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

	Fiscal Year			
	2005	2004	2003	2002
	3,177	3,059	2,954	2,781
	2,243	1,945	1,667	1,471
	512.1	519.7	513.6	468
	7,032 / 7,970	6,895 / 6,936	6,277 / 5,978	6,784 / 6,033
	22,094 / 20,330	20,542 / 18,144	20,107 / 16,948	19,502 / 16,422
	142,605 / 40,449	142,025 / 36,983	141,508 / 39,580	148,326 / 39,853
	1.3/1.2/1.9	1.5/1.4/1.8	1.2/1.2/1.6	1.5/1.2/1.5
	580	683	622	636
	125,844	129,575	123,880	129,431
	189,727	134,282	199,115	204,675
	3,425	3,425	3,410	3,355
	1,030	1,025	1,035	1,084
	30 / 360	33 / 331	38 / 316	31 / 329
	606	618	632	554
	51,146	47,593	44,937	48,410
	196,873	218,679	206,237	173,550
	6,577	7,861	6,492	7,364
	306	435	327	314
	412 / 7,309	622 / 73,585	455 / 116,933	564 / 55,976
	1,532	1,691	N/A	1,916
	240	280	265	380
	373	430	777	234
	7,148,102	7,413,106	7,256,419	7,115,630
	935,163	903,000	883,827	821,267
	108.2M / 150	34.5M / 117	47.1M / 113	54.5M / 110
	20,711	20,525	20,328	20,000
	27	21	29	16
	53	69	171	794
	76.6	74.9	71.3	75.4
	24.1	33.8	30.1	28.9
	121,327	123,058	124,470	125,612
$	241.80	$ 397.50	$ 165.90	$ 238.50
	3,046	2,190	2,398	2,633
$	2.02	$ 1.75	$ 1.66	$ 1.50

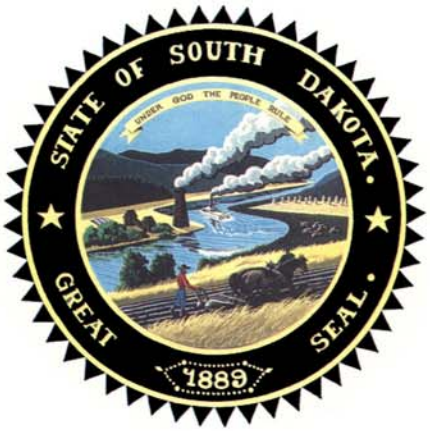
State of South Dakota
Capital Asset Statistics by Function
as of June 30, 2008

	Fiscal Year		
General Government	2008	2007	2006
Vehicles	2,879	2,711	2,636
Land (Acres)	760,832	760,832	761,295
Equipment	1,416	1,477	1,970
Buildings	13	13	21*
Infrastructure	0	0	0
Health, Human, and Social Services			
Vehicles	12	6	5
Land (Acres)	901	901	901
Equipment	510	566	540
Buildings	46	46	46
Infrastructure	0	0	0
Law, Justice, Public Protection, and Regulation			
Vehicles	314	313	323
Land (Acres)	2,313	2,313	2,313
Equipment	607	627	599
Buildings	67	70	54*
Infrastructure	0	0	0
Agriculture and Natural Resources			
Vehicles	326	326	300
Land (Acres)	348,552	297,796	293,775
Equipment	1,173	1,123	1,095
Buildings	48	35	34
Infrastructure	0	0	0
Transportation			
Vehicles	1,607	1,259	1,194
Land (Acres)	3,875	3,883	3,950
Land, ROW Roads	$73,884,865	$69,080,371	$48,033,462
Land Improvements, Roads	$512,410,674	$512,498,327	$512,216,849
Equipment	2,511	2,402	2,258
Buildings	96	96	88
Infrastructure			
-Roads: Lane Miles	8,862	8,864	8,886
-Bridges: Number of	1,805	1,800	1,805
-Railroads: Track Miles	513	513	328
Education			
Vehicles	0	0	0
Land (Acres)	33	33	33
Equipment	32	47	53
Buildings	22	22	25
Infrastructure	0	0	0
Economic Resources			
Vehicles	1	3	2
Land (Acres)	0	0	0
Equipment	37	39	41
Buildings	0	0	0
Infrastructure	0	0	0

*** :** Restated balances

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

Note: Because of the complicated nature of retrieving this data, only FY 2006, FY 2007 & FY 2008 will be shown. Data will be added to future CAFR reports until the data shown reaches ten years.



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Honorable M. Michael Rounds
Governor of South Dakota

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Dakota as of and for the fiscal year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents and have issued our report thereon dated June 12, 2009. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of:

Government-wide Financial Statements

- The Unemployment Insurance enterprise fund which represents 4.8% of assets and 12.0% of revenues of the business-type activities.

- The Housing Authority and certain foundations of Higher Education that, in aggregate represent 76.9% of assets and 26.2% of revenues of the discretely presented component units.

Fund Financial Statements

- The Unemployment Insurance enterprise fund, which represents 17.4% of assets and 45.1% of revenues of the non-major enterprise funds.

- The South Dakota Retirement System which represents 96.2% of assets, 97.3% of net assets and 98.0% of the net increase (decrease) in net assets of the fiduciary funds.

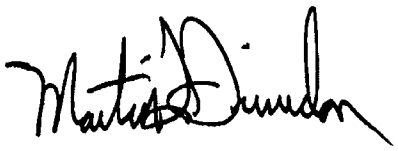
Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and entities, is based on the reports of the other auditors.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of South Dakota's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements.

As described in Note 2C of the Notes to the Schedule of Expenditures of Federal Awards, the accompanying schedule is prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The information in the accompanying schedule has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of preparing the schedule on the cash basis of accounting as explained in the preceding paragraph, is fairly stated, in all material respects, in relation to the basic financial statements.



Martin L. Guindon, CPA
Auditor General

June 12, 2009

STATE OF SOUTH DAKOTA
Schedule of Expenditures of Federal Awards by Federal Department
For the Fiscal Year Ended June 30, 2008

CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Aging Cluster					
93.044	Administration on Aging	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services & Senior Centers		Social Services	2,011,253
93.044	Administration on Aging	Special Programs for the Aging-Title III, Part B-Grants for Supportive Services & Senior Centers - Northern Black Hills RSVP service agreement		BHSU	1,242
93.045	Administration on Aging	Special Programs for the Aging-Title III, Part C-Nutrition Services		Social Services	2,675,057
93.053	Administration on Aging	Nutrition Services Incentive		Social Services	842,063
Total Aging Cluster					**5,529,615**
Agriculture					
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Commercial Poultry)	07-9746-1590-CA	Animal Industry Board	16,449
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care – Scrapie/RAMS	08-9746-1410 CA	Animal Industry Board	1,190
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Live Bird Marketing System)	08-9746-1612-CA	Animal Industry Board	4,907
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Commercial Poultry)	08-9746-1590-CA	Animal Industry Board	89
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - Brucellosis Clerical	08-9746-1773-CA	Animal Industry Board	7,078
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - Foreign Animal Disease (FAD)	08-9746-1785-CA	Animal Industry Board	17,960
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - FAD/EM	03-9746-0312-CA	Animal Industry Board	14,176
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Animal Identification System	08-9746-1781-CA	Animal Industry Board	78,223

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
Schedule of Expenditures of Federal Awards by Federal Department
For the Fiscal Year Ended June 30, 2008

CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Agriculture (continued)					
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - Johnes	08-9746-1772-CA	Animal Industry Board	52,400
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - Foreign Animal Disease (FAD)	07-9746-1785-CA	Animal Industry Board	51,427
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Live Bird Marketing System)	07-9746-1612-CA	Animal Industry Board	39,509
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Game Birds)	07-9746-1589-CA	Animal Industry Board	9,522
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Enhanced)	07-9746-1835-CA	Animal Industry Board	39,470
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Pseudorabies and Swine Brucellosis Surveillance	06-9746-0005-CA	Animal Industry Board	61,150
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Poultry Improvement Plan (Game Birds)	08-9746-1589-CA	Animal Industry Board	166
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - Chronic Wasting Disease		Game, Fish & Parks	147,628
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care		Agriculture	171,054
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - National Animal Identification System	07-9746-1781-CA	Animal Industry Board	183,013
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care - Johnes	07-9746-1772-CA	Animal Industry Board	17,636
10.028	Animal and Plant Health Inspection Service	Wildlife Services - Animal Damage Control		Game, Fish & Parks	380,593
10.029	Animal and Plant Health Inspection Service	Avian Influenza Indemnity Program		Game, Fish & Parks	34,522

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
Schedule of Expenditures of Federal Awards by Federal Department
For the Fiscal Year Ended June 30, 2008

CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Agriculture (continued)					
10.153	Agricultural Marketing Service	Market News	12-25-1-3444	Agriculture	35,290
10.156	Agricultural Marketing Service	Federal-State Marketing Improvement Program - Exploring Marketing Opportunities/Distribution System for Specialty Products Produced in SD	12-25-G-0465	Agriculture	16,635
10.163	Agricultural Marketing Service	Market Protection and Promotion	12-25-S-4289	Agriculture	36,956
10.169	Agriculture Marketing Service	Specialty Crop Block Grant	12-25-G-0539	Agriculture	105,447
10.217	Cooperative State Research, Education, and Extension Service	Higher Education Challenge Grants	2005-38411-15864	SDSU	41,927
10.220	Cooperative State Research, Education, and Extension Service	Higher Education Multicultural Scholars Program	03-38413-13187	SDSU	65,727
10.220	Cooperative State Research, Education, and Extension Service	Higher Education Multicultural Scholars Program	2006-38413-16614	SDSU	4,500
10.303	Cooperative State Research, Education, and Extension Service - Montana State University-flow through	Integrated Programs	61-4256LL, 2003-51120-02111	SDSU	10,000
10.303	Cooperative State Research, Education, and Extension Service	Integrated Programs	61-4256GG	SDSU	938
10.303	Cooperative State Research, Education, and Extension Service	Integrated Programs	2003-51110-01714	SDSU	85,628
10.304	Cooperative State Research, Education, and Extension Service - Kansas State University	Homeland Security-Agricultural	S08014	SDSU	11,620
10.304	Cooperative State Research, Education, and Extension Service - Perdue University-flow through	Homeland Security-Agricultural	102200-01	SDSU	6,841
10.305	Cooperative State Research, Education, and Extension Service	International Science and Education Grants	2006-51160-03403	SDSU	53,665
10.435	Farm Service Agency	State Mediation Grants		Agriculture	78,220

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
Schedule of Expenditures of Federal Awards by Federal Department
For the Fiscal Year Ended June 30, 2008

CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Agriculture (continued)					
10.457	National Crop Insurance Service - flow through	Commodity Partnerships for Risk Management Education	06-IE-0831-0097-E	SDSU	7,554
10.459	Risk Management Agency	Commodity Partnerships for Small Agricultural Risk Management Education Sessions	06-IE-0831-0071-E	SDSU	246
10.459	Risk Management Agency	Commodity Partnerships for Small Agricultural Risk Management Education Sessions	07-IE-0831-0071-E	Agriculture	7,849
10.475	Food Safety and Inspection Service	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		Animal Industry Board	712,372
10.475	Food Safety Inspection	Animal and Egg Production Food Safety	FSIS-C-23-2004	Animal Industry Board	120
10.500	Cooperative State Research, Education, and Extension Service - North Dakota State University -flow through	Cooperative Extension Service		SDSU	2,164
10.500	Cooperative State Research, Education, and Extension Service	Cooperative Extension Service	2007-46100-03929	SDSU	3,502,735
10.500	University of Nebraska - flow through	Cooperative Extension Service	25-6324-0053-320	SDSU	10,375
10.500	Cooperative State Research, Education, and Extension Service - Kansas State University-flow through	Cooperative Extension Service		SDSU	9,463
10.500	Kansas State University - flow through	Cooperative Extension Service	S08001	SDSU	16,320
10.500	Kansas State University - flow through	Cooperative Extension Service	2003-48558-01716	SDSU	25,644
10.500	University of Nebraska - flow through	Cooperative Extension Service	25-6324-0053-323	SDSU	18,695
10.500	North Dakota State University - flow through	Cooperative Extension Service	NONE	SDSU	3,789
10.500	National 4H Council - flow through	Cooperative Extension Service	2007-0376-08	SDSU	8,065
10.500	North Carolina State University - flow through	Cooperative Extension Service	2006-0457-34	SDSU	10,099

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
Schedule of Expenditures of Federal Awards by Federal Department
For the Fiscal Year Ended June 30, 2008

CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Agriculture (continued)					
10.500	Cooperative State Research, Education, and Extension Service	Cooperative Extension Service	2007-46100-03929	SDSU	101,782
10.550	Food and Nutrition Service	Food Donation (Note 3A)		Education	3,703,027
10.557	Food and Nutrition Service	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 3J)		Health	13,085,345
10.558	Food and Nutrition Service	Child and Adult Care Food Program		Education	7,545,233
10.560	Food and Nutrition Service	State Administrative Expenses for Child Nutrition		Education	603,925
10.565	Food and Nutrition Service	Commodity Supplemental Food Program		Education	168,148
10.574	Food and Nutrition Service	Team Nutrition Grants		Education	111,465
10.582	Food and Nutrition Service	Fresh Fruit and Vegetable Program		Education	342,127
10.652	Forest Service	Forestry Research - Forest Inventory Analysis		Agriculture	55,817
10.664	Forest Service	Cooperative Forestry Assistance		Agriculture	1,756,017
10.664	Forest Service	Cooperative Forestry Assistance - Economic Action	05-DG-11020000-059	Agriculture	5,017
10.672	Forest Service	Rural Development, Forestry, and Communities - Economic Action	02-DG-11020000-051	Agriculture	177,902
10.678	Forest Service	Forest Stewardship Program	07-DG-11020000-076	Agriculture	13,867
10.767	Rural Business - Cooperative Service	Intermediary Relending Program (Note 3I)		Tourism & State Development	2,800,279
10.855	Rural Development	Distance Learning and Telemedicine Loans and Grants		NSU	33,861
10.912	Natural Resources Conservation Service	Environmental Quality Incentives Program - Vermillion River	68-6740-6-05	Agriculture	38,238
10.912	Natural Resources Conservation Service	Environmental Quality Incentives Program - Ripaiiran Buffers	68-6740-6-10	Agriculture	27,826
10.912	Natural Resources Conservation Service	Environmental Quality Incentives Program	65-6740-6-02/5-01	Agriculture	7,107
Total Agriculture					**36,794,029**
CCDF Cluster					
93.575	Administration for Children and Families	Child Care & Development Block Grant		Social Services	7,280,966

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
CCDF Cluster (continued)					
93.596	Administration for Children and Families	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		Social Services	5,930,334
Total CCDF Cluster					**13,211,300**
Child Nutrition Cluster					
10.553	Food and Nutrition Service	School Breakfast Program		Education	5,319,810
10.555	Food and Nutrition Service	National School Lunch Program		Education	20,499,199
10.556	Food and Nutrition Service	Special Milk Program for Children		Education	37,281
10.559	Food and Nutrition Service	Summer Food Service Program for Children		Education	575,820
Total Child Nutrition Cluster					**26,432,110**
Commerce					
11.550	National Telecommunications and Information Administration	Public Telecommunications Facilities Planning and Construction	46-02-N07009 (Archive Storage)	Public Broadcasting	20,696
11.550	National Telecommunications and Information Administration	Public Telecommunications Facilities Planning and Construction	46-02-N08002 (Faith/Eagle Butte)	Public Broadcasting	1,445
Total Commerce					**22,141**
Corporation for National and Community Service					
94.002	Corporation for National and Community Service	Retired and Senior Volunteer Program	2002 DVSA-61329-P74-4101	BHSU	64,748
94.004	University of Nebraska - flow through	Learn and Serve America School and Community Based Programs	25-4201-0005-506	SDSU	22,043
94.005	University of Nebraska-Lincoln - flow through	Learn and Serve America - Higher Education		USD	19,214
94.005	Nebraska Board of Regents - University of Nebraska - flow through	Learn and Serve America-Higher Education - "Community University Resource Exchange - CURE"		BHSU	7,929
Total Corporation for National and Community Service					**113,934**
Defense					
12.002	Defense Logistics Agency	Procurement Technical Assistance For Business Firms		USD	137,741
12.112	Department of the Army	Payments to States in Lieu of Real Estate Taxes		State Treasurer	95,309

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Defense (continued)					
12.113	Department of the Army	State Memorandum of Agreement Program for the Reimbursement of Technical Services - Defense Environmental Restoration Program		Environment & Natural Resources	65,162
12.400	National Guard Bureau	Military Construction, National Guard - Aberdeen Armory Joint Use Contract	W5BM2T-87001-001	Military & Veterans	48,975
12.400	National Guard Bureau	Military Construction, National Guard - Joint Starc Readiness Center	W912MM-04-2-2001	Military & Veterans	599,175
12.400	National Guard Bureau	Military Construction, National Guard - Mobridge Readiness Center	W912MM-05-2-2001	Military & Veterans	1,266,784
12.400	National Guard Bureau	Military Construction, National Guard - Installation AT/FP Upgrade (North Gate project)	W912MM-06-2001	Military & Veterans	698,908
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ARNG Training Ranges/Range Training	W912MM-07-2-1007	Military & Veterans	39,608
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ANG Fire Protection Activities	DAHA39-04-2-1024	Military & Veterans	1,266,419
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ANG Security Guard Activities	DAHA39-04-2-1023	Military & Veterans	726,436
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ARNG Security Guard Activities	DAHA39-04-2-1003	Military & Veterans	698,465
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ANG Facilities Operations and Maintenance Activities	DAHA39-04-2-1021	Military & Veterans	1,001,858

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Defense (continued)					
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ARNG Telecommunications	DAHA39-04-2-1005	Military & Veterans	610,439
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ARNG Environmental Resource Management	DAHA39-04-2-1002	Military & Veterans	537,081
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ARNG Electronic Security	DAHA39-04-2-1004	Military & Veterans	56,986
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ANG Environmental Resources Management	DAHA39-04-2-1022	Military & Veterans	43,645
12.401	National Guard Bureau	National Guard Military Operations and Maintenance (O&M) Projects - Master Cooperative Agreement: ARNG Real Property Operations and Maintenance	DAHA39-04-2-1001	Military & Veterans	6,041,516
12.404	National Guard Bureau	National Guard Civilian Youth Opportunities (STARBASE)	W912MM-05-2-4002	Military & Veterans	884,262
12.431	Army Research Office	Basic Scientific Research		SDSU	48,511
12.614	Office of Economic Adjustment (OEA)	Community Economic Adjustment Diversification Planning		Tourism & State Development	45,373
12.902	National Security Agency	Information Security Grant Program		DSU	1,071
12.UNKNOWN	Department of the Army	Pallid Sturgeon Study		Game, Fish & Parks	258,854
12.UNKNOWN	Department of the Army	Wildlife Habitat Development at Lake Oahe and Lake Sharpe		Game, Fish & Parks	509,000
12.UNKNOWN	Department of the Army	Title VI - Missouri River Implementation		Game, Fish & Parks	4,021,960
Total Defense					**19,703,538**

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Disability Insurance/SSI Cluster					
96.001	Social Security Administration	Social Security - Disability Insurance - Disability Determination Services	04-0604SDDI00	Human Services	69
96.001	Social Security Administration	Social Security - Disability Insurance - Disability Determination Services	04-0704SDDI00	Human Services	987,582
96.001	Social Security Administration	Social Security - Disability Insurance	04-0804SDDI00	Human Services	2,134,488
Total Disability Insurance/SSI Cluster					**3,122,139**
Education					
84.002	Office of Vocational and Adult Education	Adult Education - State Grant Program		Labor	1,341,624
84.010	Office of Elementary and Secondary Education	Title I Grants to Local Educational Agencies		Education	37,775,560
84.011	Office of Elementary and Secondary Education	Migrant Education - State Grant Program		Education	817,372
84.013	Office of Elementary and Secondary Education	Title I Program for Neglected and Delinquent Children		Education	295,358
84.031	Office of the Assistant Secretary for Postsecondary Education	Higher Education - Institutional Aid		DSU/NSU	321,209
84.048	Office of the Assistant Secretary for Vocational and Adult Education	Career and Technical Education -- Basic Grants to States		Education	4,221,524
84.060	Cheyenne River Sioux Tribe - flow through	Indian Education - Grants to Local Educational Agencies		USD	177,453
84.060	Rosebud Sioux Indian Tribe - flow through	Indian Education - Grants to Local Educational Agencies		USD	106,751
84.083	Office of Innovation and Improvement	Women's Educational Equity Act Program - DOED WISE START	U083A050075	SDSMT	92,206
84.126	Office of the Assistant Secretary for Special Education and Rehabilitative	Rehabilitation Services -Vocational Rehabilitation Grants to States		Human Services	9,200,180
84.144	Office of Elementary and Secondary Education	Migrant Education - Coordination Program		Education	83,843
84.161	Office of the Assistant Secretary for Special Education and Rehabilitative Services	Rehabilitation Services - Client Assistance Program		Human Services	93,515

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Education (continued)					
84.169	Office of the Assistant Secretary for Special Education and Rehabilitative Services	Independent Living - State Grants		Human Services	299,859
84.177	Office of Special Education and Rehabilitative Services	Rehabilitation Services-Independent Living Services for Older Individuals Who Are Blind		Human Services	244,782
84.181	Office of Special Education and Rehabilitative Services	Special Education - Grants for Infants and Families With Disabilities		Education	3,429,722
84.184	Office of Elementary and Secondary Education	Safe and Drug-Free Schools and Communities - National Programs - Student Engagement and Community Collaboration for Prevention		BHSU	113,831
84.184	Office of Elementary and Secondary Education	Safe and Drug-Free Schools and Communities - National Programs - DOED CCPC	Q184H050100	SDSMT	11,025
84.185	Office of the Assistant Secretary for Postsecondary Education	Byrd Honors Scholarships		Education	98,750
84.186	Office of Elementary and Secondary Education	Safe and Drug-Free Schools and Communities - State Grants		Education/Human Services	1,753,421
84.187	Office of the Assistant Secretary for Special Education and Rehabilitative Services	Supported Employment Services for Individuals with Severe Disabilities		Human Services	382,900
84.196	Office of Elementary and Secondary Education	Education for Homeless Children and Youth		Education	193,563
84.213	Office of Elementary and Secondary Education	Even Start - State Educational Agencies		Education	566,257
84.215	Montana State University, Billings, Montana - flow through	Fund for the Improvement of Education - "Training of Site-Bound Rural Paraeducators in Montana, South Dakota, and Wyoming		BHSU	92,531
84.215	Office of Education Research and Improvement	Fund for the Improvement of Education		DSU	1,230
84.215	Office of the Assistant Secretary for Educational Research and Improvement	Fund for the Improvement of Education		Education	15,468

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Education (continued)					
84.224	Office of the Assistant Secretary for Special Education and Rehabilitative Services	Assistive Technology		Human Services	384,105
84.240	Office of Special Education and Rehabilitative Services	Program of Protection and Advocacy of Individual Rights		Human Services	143,579
84.243	Office of Vocational and Adult Education	Tech-Prep Education		Education	283,423
84.265	Office of the Assistant Secretary for Special Education and Rehabilitative Services	Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training		Human Services	34,855
84.287	Office of Elementary and Secondary Education	Twenty-First Century Community Learning Centers		Education	5,456,352
84.298	University of California - flow through	State Grants for Innovative		USD	55,442
84.298	Office of Elementary and Secondary Education	State Grants for Innovative		Education	653,092
84.318	Office of Elementary and Secondary Education	Education Technology State Grants		Education	1,756,973
84.318	Black Hills Special Services Cooperative - flow through	Education Technology State Grants - Title IID Achieve Improvement in Math (AIMS II Math)	BHSSC-BHSU 06-01	BHSU	5,328
84.323	Office of Special Education and Rehabilitative Services	Special Education - State Personnel Development		Education	613,257
84.326	Office of Special Education and Rehabilitative Services	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		USD	92,399
84.330	Office of Elementary and Secondary Education	Advanced Placement Fee Program		Education	5,027
84.331	Office of Vocational and Adult Education	Grants to States for Incarcerated Youth Offenders		Corrections	69,910
84.332	Office of Elementary and Secondary Education	Comprehensive School Reform Demonstration		Education	27,891
84.334	Office of the Assistant Secretary for Postsecondary Education	Gaining Early Awareness and Readiness for Undergraduate Programs		Education	1,202,287
84.336	Black Hills Special Services Cooperative - flow through	Teacher Quality Enhancement Grants "STEP TQE"		BHSU	13,426

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Education (continued)					
84.342	Assistant Secretary for Postsecondary Education Programs	Preparing Tomorrow's Teachers to Use Technology	P342A030051	NSU	24,754
84.343	Office of Special Education and Rehabilitative Services	Assistive Technology-State Grants for Protection and Advocacy		Human Services	62,830
84.350	State of Montana - flow	Transition to Teaching		Education	9,798
84.350	Black Hills Special Services Cooperative - flow through	Transition to Teaching		BHSU	20,805
84.357	Office of Elementary and Secondary Education	Reading First State Grants		Education	2,572,735
84.358	Office of Elementary and Secondary Education	Rural Education		Education	50,005
84.365	Office of Elementary and Secondary Education	English Language Acquisition Grants		Education	566,025
84.366	Office of Elementary and Secondary Education	Mathematics and Science Partnerships		Education	1,165,570
84.366	Educational Service Agencies - flow through	Mathematics and Science Partnerships - "South Dakota Counts Educational Service Agency"		BHSU	384,328
84.367	Office of Elementary and Secondary Education	Improving Teacher Quality State Grants		Education/Board of Regents	13,507,096
84.369	Office of Elementary and Secondary Education	Grants for State Assessments and Related Activities		Education	6,557,460
84.373	Office of Special Education and Rehabilitative Services/University of Minnesota	Special Education - Technical Assistance on State Data Collection		Education	4,178
84.374	Office of Elementary and Secondary Education	Teacher Incentive Fund		Education	1,393,876
84.375	Office of Postsecondary Education	Academic Competitiveness Grants		BHSU	1,097,599
84.376	Office of Student Financial Assistance Programs	National Science and Mathematics Access to Retain Talent (SMART) Grants		BHSU	1,057,497
84.377	Office of Elementary and Secondary Education	School Improvement Grants		Education	6

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Education (continued)					
84.902	Office of Educational Research and Improvement	National Assessment of Educational Progress (NAEP)		Education	57,604
84.UNKNOWN	National Center for Educational Statistics	Grants and Contract Services		Education	13,904
Total Education					**101,073,350**
Election Assistance Commission					
90.401	Election Assistance Commission	Help America Vote Act Requirements Payments		Secretary of State	156,849
Total Election Assistance Commission					**156,849**
Emergency Food Assistance Cluster					
10.568	Food and Nutrition Service	Emergency Food Assistance Program (Administrative Costs)		Education	173,336
Total Emergency Food Assistance Cluster					**173,336**
Employment Service Cluster					
17.207	Employment and Training Administration	Employment Service/Wagner-Peyser Funded Activities		Labor	5,679,760
17.801	Office of the Assistant Secretary for Veterans' Employment and Training	Disabled Veterans' Outreach Program (DVOP)		Labor	476,471
17.804	Office of the Assistant Secretary for Veterans' Employment and Training	Local Veterans' Employment Representative Program		Labor	84,113
Total Employment Service Cluster					**6,240,344**
Energy					
81.041	Office of Energy Efficiency and Renewable Energy	State Energy Program		Tourism & State Development	280,917
81.042	Conservation & Renewable Energy	Weatherization Assistance for Low-Income Persons		Social Services	1,722,820
Total Energy					**2,003,737**

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Environmental Protection Agency					
66.419	Office of Water	Water Pollution Control State, Interstate, and Tribal Program Support		Environment & Natural Resources	555,976
66.454	Office of Water	Water Quality Management Planning		Environment & Natural Resources	38,845
66.458	Office of Water	Capitalization Grants for Clean Water State Revolving Funds (Note 3G)		Environment & Natural Resources	158,141,666
66.460	Office of Water	Nonpoint Source Implementation Grants		Environment & Natural Resources	4,093,651
66.460	Eastern Dakota Water Dev. Dist. - flow through	Nonpoint Source Implementation Grants		SDSU	21,694
66.467	Office of Water	Wastewater Operator Training Grant Program (Technical Assistance)		Environment & Natural Resources	8,372
66.468	Office of Ground Water and Drinking Water	Capitalization Grants for Drinking Water State Revolving Funds (Note 3G)		Environment & Natural Resources	113,089,076
66.471	Office of Ground Water and Drinking Water	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs		Environment & Natural Resources	72,878
66.474	Office of Water	Water Protection Grants to the States		Environment & Natural Resources	15,781
66.512	Office of Research and Development	Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects		Environment & Natural Resources	76,888
66.605	Office of Congressional and Intergovernmental Relations	Performance Partnership Grants		Agriculture/Environment & Natural Resources	3,464,951
66.606	Environmental Protection Agency	Surveys, Studies, Investigations and Special Purpose Grants		Environment & Natural Resources	321,346
66.608	Office of Environmental Information	Environmental Information Exchange Network Grant Program and Related Assistance		Environment & Natural Resources	9,862
66.802	Office of Solid Waste and Emergency Response	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		Environment & Natural Resources	79,166
66.804	Office of Solid Waste and Emergency Response	State and Tribal Underground Storage Tanks Program		Environment & Natural Resources	177,344

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Environmental Protection Agency (continued)					
66.805	Office of Solid Waste and Emergency Response	Leaking Underground Storage Tank Trust Fund Program		Environment & Natural Resources	553,775
66.809	Office of Solid Waste and Emergency Response	Superfund State and Indian Tribe Core Program Cooperative Agreements		Environment & Natural Resources	12,714
66.817	Office of Solid Waste and Emergency Response	State and Tribal Response Program Grants		Environment & Natural Resources	768,944
66.UNKNOWN	Environmental Protection Agency	Pesticide Training		SDSU	21,102
Total Environmental Protection Agency					**281,524,031**
Equal Employment Opportunity Commission					
30.002	Equal Employment Opportunity Commission	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts		Labor	67,655
Total Equal Employment Opportunity Commission					**67,655**
Federal Transit Cluster					
20.500	Federal Transit Administration	Federal Transit - Capital Investment Grants		Transportation	2,052,281
Total Federal Transit Cluster					**2,052,281**
Fish and Wildlife Cluster					
15.605	Fish and Wildlife Service	Sport Fish Restoration Program		Game, Fish & Parks	4,512,923
15.611	Fish and Wildlife Service	Wildlife Restoration		Game, Fish & Parks	4,519,423
Total Fish and Wildlife Cluster					**9,032,346**
Food Stamp Cluster					
10.551	Food and Nutrition Service	Food Stamps (Note 3F)		Social Services	75,863,122
10.561	Food and Nutrition Service	State Administrative Matching Grants for Food Stamp Program		Social Services	7,755,464
Total Food Stamp Cluster					**83,618,586**

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
General Services Administration					
39.003	General Services Administration	Donation of Federal Surplus Personal Property (Note 3C)	482839	Bureau of Administration	1,751,909
39.011	General Services Administration	Election Reform Payments - Help America Vote Act		Secretary of State	290,565
Total General Services Administration					**2,042,474**
Health and Human Services					
93.004	Office of Minority Health	Cooperative Agreements to Improve the Health Status of Minority Populations		USD	4,483
93.041	Administration on Aging	Special Programs for the Aging-Title VII, Chapter 3-Elder Abuse Prevention		Social Services	7,940
93.042	Administration on Aging	Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals		Social Services	11,826
93.043	Administration on Aging	Special Programs for the Aging-Title III, Part F-Preventive Health Services		Social Services	39,897
93.052	Administration on Aging	National Family Caregiver		Social Services	857,853
93.069	Centers for Disease Control and Prevention	Public Health Emergency Preparedness		Health	2,413,454
93.086	Dibble Fund for Marriage Education - flow through	Healthy Marriage Promotion and Responsible Fatherhood Grants-Healthy Marriage	90FE0024/01 DHHS	SDSU	8,951
93.106	American Psychological Association - flow through	Minority International Research Training Grant in the Biomedical and Behavioral Sciences		USD	61,079
93.107	University of Iowa – flow through	Model State-Supported Area Health Education Centers		USD	11,982
93.110	Health Resources and Services Administration	Maternal and Child Health Federal Consolidated Programs - SD State Systems Development Initiative and Children's Oral Healthcare Access Program		Health	104,606
93.110	Health Resources and Services Administration	Maternal and Child Health Federal Consolidated Programs		USD	434,580

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.116	Centers for Disease Control and Prevention	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		Health	183,983
93.118	Centers for Disease Control and Prevention	Acquired Immunodeficiency Syndrome (AIDS) Activity		USD	127,964
93.127	Health Resources and Services Administration	Emergency Medical Services for Children		USD	105,987
93.130	Health Resources and Services Administration	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		Health	104,918
93.136	Centers for Disease Control and Prevention	Injury Prevention and Control Research and State and Community Based Programs – Sexual Violence Prevention and Education		Health	87,084
93.138	Substance Abuse and Mental Health Services Administration	Protection and Advocacy for Individuals with Mental Illness		Human Services	466,621
93.144	Aberdeen Area Indian Health Services - flow through	Demonstration Grants for the Prevention of Alcohol and Drug Abuse Among High-Risk Populations		USD	23,062
93.144	Johnson, Bassin, and Shaw - flow through	Demonstration Grants for the Prevention of Alcohol and Drug Abuse Among High-Risk Populations		USD	9,899
93.150	Substance Abuse and Mental Health Services Administration	Projects for Assistance in Transition from Homelessness (PATH)		Human Services	293,459
93.165	Health Resources and Services Administration	Grants to States for Loan Repayment Program		Health	22,500
93.189	University of Iowa - flow through	Health Education and Training Centers		USD	8,267
93.217	Office of the Secretary	Family Planning Services		Health	1,193,150
93.228	Flandreau Santee Sioux Tribe and Ho-Chunk Neenk Chunk Ho Chee Inc. - flow through	Indian Health Service - Health Management Development Program		USD	11,184
93.230	Northrup Grumman Corporation - flow through	Consolidated Knowledge Development and Application (KD&A) Program - Identifying individuals with Fetal Alcohol Spectrum Disorder in the SD Juvenile Justice System		USD	45,007

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.230	Substance Abuse and Mental Health Services Administration	Consolidated Knowledge Development and Application (KD&A) Program		Human Services	41,261
93.230	University of Iowa - flow through	Consolidated Knowledge Development and Application (KD&A) Program - Addiction Technology		USD	76,095
93.230	Aberdeen Area Indian Health Service - flow through	Consolidated Knowledge Development and Application (KD&A) Program - Epidemiology		USD	17,461
93.234	Health Resources and Services Administration	Traumatic Brain Injury State Demonstration Grant Program		Human Services	50,000
93.235	Administration for Children and Families	Abstinence Education Program		Health	122,231
93.238	Substance Abuse and Mental Health Services Administration	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement (ADA Data Infra)		Human Services	41
93.241	Health Resources and Services Administration	State Rural Hospital Flexibility Program		Health	907,761
93.243	Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1 U79 SM57509-01	SDSMT	73,243
93.243	Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services - Projects of Regional and National Significance		Human Services	364,728
93.243	Substance Abuse and Mental Health Services Administration	Substance Abuse and Mental Health Services - Co-Occurring State Incentive Grant	1KD1T1018385-01	Governors Office	52,134
93.247	Health Resources and Services Administration	Advanced Education Nursing Grant Program	6 D09HP05331-01-01	SDSU	6
93.247	Health Resources and Services Administration	Advanced Education Nursing Grant Program	5 D09HP05331-02-00	SDSU	50,541
93.247	Health Resources and Services Administration	Advanced Education Nursing Grant Program	5 D09HP05331-03-00	SDSU	204,680
93.264	Health Resources and Services Administration	Nurse Faculty Loan Program (NFLP) (Note 3G)		SDSU	72,175
93.268	Centers for Disease Control and Prevention	Immunization Grants		Health	12,804,210

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.277-01-6068	Substance Abuse and Mental Health Services Administration	Fetal Alcohol Spectrum Disorders Center for Excellence	277-01-6068	Human Services	52,300
93.283	Centers for Disease Control and Prevention	Centers for Disease Control and Prevention-Investigations and Technical Assistance - Legislative Funding / Section 301 and 317 of PHS Act	U84/CCU824080-01	BHSU	3,455
93.283	Centers for Disease Control and Prevention	Centers for Disease Control and Prevention - Investigations and Technical Assistance		Health/USD	6,881,387
93.283-02-9023	Substance Abuse and Mental Health Services Administration	State Outcomes Measurement Mgmt System (SOMMS)	283-02-9023	Human Services	283,829
93.283-02-9026	Substance Abuse and Mental Health Services Administration	Drug and Alcohol Service Information System (DASIS & SEOW Awards)	283-02-9026	Human Services	146,897
93.290	Office of the Secretary	National Community Centers of Excellence in Women's Health		USD	43,127
93.301	Health Resources and Services Administration	Small Rural Hospital Improvement Grant Program		Health	375,690
93.358	Health Resources and Services Administration	Advanced Education Nursing Traineeships	2 A10HP00278-08-00	SDSU	42,297
93.359	Health Resources and Services Administration	Nurse Education, Practice and Retention Grants	1 D65HP05253-01-00	SDSU	78
93.359	Health Resources and Services Administration	Nurse Education, Practice and Retention Grants	D65HP05253-03-00	SDSU	226,147
93.556	Administration for Children and Families	Promoting Safe and Stable Families		Social Services	668,326
93.558	Administration for Children and Families	Temporary Assistance for Needy Families		Social Services	20,288,135
93.563	Administration for Children and Families	Child Support Enforcement		Social Services	4,007,741
93.566	Administration for Children and Families	Refugee & Entrant Assistance-State Administered Programs		Social Services	152,405
93.568	Administration for Children and Families	Low-Income Home Energy Assistance		Social Services	12,499,895
93.569	Administration for Children and Families	Community Services Block Grant		Social Services	2,758,017

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.586	Administration for Children and Families	State Court Improvement Program	0701SDSCIP	Unified Judicial System	4,409
93.586	Administration for Children and Families	State Court Improvement Program - Training	0701SDSCIT	Unified Judicial System	18,420
93.586	Administration for Children and Families	State Court Improvement Program	G0601SDSCIP	Unified Judicial System	107,941
93.586	Administration for Children and Families	State Court Improvement Program	G-0501SDSCIP	Unified Judicial System	16,261
93.590	Administration for Children and Families	Community-Based Child Abuse Prevention Grants		Social Services	227,982
93.597	Administration for Children and Families	Grants to States for Access and Visitation Programs	G0501SDSAVP	Unified Judicial System	16,302
93.597	Administration for Children and Families	Grants to States for Access and Visitation Programs	0701SDSAVP	Unified Judicial System	32,163
93.597	Administration for Children and Families	Grants to States for Access and Visitation Programs	G0601SDSAVP	Unified Judicial System	51,536
93.599	Administration for Children and Families	Chafee Education & Training Vouchers Program (ETV)		Social Services	113,408
93.600	Administration for Children and Families	Head Start		Education/USD	1,825,501
93.603	Administration for Children and Families	Adoption Incentive Payments		Social Services	689
93.617	Administration for Children and Families	Voting Access for Individuals with Disabilities - Grants to States		Secretary of State	28,701
93.618	Administration for Children and Families	Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems		Human Services	91,386
93.630	Administration for Children and Families	Developmental Disabilities Basic Support and Advocacy Grants		Human Services	904,841
93.631	Administration for Children and Families	Developmental Disabilities Projects of National Significance		Human Services	285,584
93.632	Administration for Children and Families	University Centers for Excellence in Developmental Disabilities Education, Research and Service		USD	506,434
93.643	Administration for Children and Families	Children's Justice Grants to States		Social Services	87,170

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.645	Administration for Children and Families	Child Welfare Services - State Grants		Social Services	682,351
93.658	Administration for Children and Families	Foster Care - Title IV-E		Social Services	5,169,698
93.659	Administration for Children and Families	Adoption Assistance		Social Services	2,893,285
93.667	Administration for Children and Families	Social Services Block Grant		Social Services	6,278,704
93.669	Administration for Children and Families	Child Abuse & Neglect State Grants		Social Services	112,158
93.671	Administration for Children and Families	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes		Social Services	730,541
93.674	Administration for Children and Families	Chafee Foster Care Independent Program		Social Services	614,610
93.767	Centers for Medicare and Medicaid Services	State Children's Health Insurance Program		Social Services	15,214,604
93.768	Centers for Medicare and Medicaid Services	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities		Human Services	508,527
93.773	Centers for Medicare and Medicaid Services	Medicare - Hospital Insurance		Human Services	2,321,044
93.779	Centers for Medicare and Medicaid Services	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		Social Services	326,382
93.855	National Institutes of Health	Allergy, Immunology and Transplantation Research-Germinal Center Function in Prison Disease	1R13AI078728-01	SDSU	4,884
93.884	Health Resources and Services Administration	Grants for Training in Primary Care Medicine and Dentistry		USD	26,042
93.887	Health Resources and Services Administration	Health Care and Other Facilities		NSU	5,018
93.889	Health Resources and Services Administration	National Bioterrorism Hospital Preparedness Program		Health	2,157,082

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.912	Health Resources and Services Administration	Rural Health Care Services Outreach and Rural Health Network Development Program		USD	109,098
93.913	Health Resources and Services Administration	Grants to States for Operation of Offices of Rural Health		Health	146,153
93.917	Health Resources and Services Administration	HIV Care Formula Grants - Ryan White Care Act Title II		Health	1,096,795
93.938	Centers for Disease Control and Prevention	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		Education	625,890
93.940	Centers for Disease Control and Prevention	HIV Prevention Activities - Health Department Based		Health	600,547
93.944	Centers for Disease Control and Prevention	HIV/AIDS Surveillance		Health	59,896
93.958	Substance Abuse and Mental Health Services Administration	Block Grants for Community Mental Health Services		Human Services	749,946
93.959	Substance Abuse and Mental Health Services Administration	Block Grants for Prevention and Treatment of Substance Abuse		Human Services	4,839,614
93.970	Indian Health Service	Health Professions Recruitment Program for Indians	D919400165/04	SDSU	50,458
93.970	University of North Dakota - flow through	Health Professions Recruitment Program for Indians - Indians into Medicine Program		USD	54,916
93.970	Indian Health Service	Health Professions Recruitment Program for Indians	D919400165/05	SDSU	257,400
93.977	Centers for Disease Control and Prevention	Preventive Health Services - Sexually Transmitted Diseases Control Grants		Health	279,902
93.982	Substance Abuse and Mental Health Services Administration	Mental Health Disaster Assistance and Emergency Mental Health		Human Services	159,189
93.988	Centers for Disease Control and Prevention	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems		Health	266,519
93.991	Centers for Disease Control and Prevention	Preventive Health and Health Services Block Grant		Health	202,133

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Health and Human Services (continued)					
93.994	Health Resources and Services Administration	Maternal and Child Health Services Block Grant to the States		Health	2,722,158
93.HHSF223200640113P	Food and Drug Administration	South Dakota Mammography Placements	HHSF223200640113P	Health	26,880
Total Health and Human Services					**123,517,181**
Highway Planning and Construction Cluster					
20.205	Federal Highway	Highway Planning and Construction		Transportation	183,337,440
Total Highway Planning and Construction Cluster					**183,337,440**
Highway Safety Cluster					
20.600	National Highway Traffic Safety Administration	State and Community Highway Safety		Public Safety	1,397,072
20.601	National Highway Traffic Safety Administration	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants		Public Safety	945,933
20.610	National Highway Traffic Safety Administration	State Traffic Safety Information System Improvement Grants		Public Safety	355,369
Total Highway Safety Cluster					**2,698,374**
Homeland Security					
97.012	Homeland Security	Boating Safety Financial Assistance		Game, Fish & Parks	319,147
97.021	Homeland Security	Hazardous Materials Assistance Program		Public Safety	1,020
97.023	Homeland Security	Community Assistance Program - State Support Services Element (CAP-SSSE)		Public Safety	51,207
97.029	Homeland Security	Flood Mitigation Assistance		Public Safety	75,134
97.032	Homeland Security	Crisis Counseling		Public Safety	42,357
97.036	Homeland Security	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		Public Safety	9,187,899
97.039	Homeland Security	Hazard Mitigation Grant (HMGP)		Public Safety	403,082
97.041	Homeland Security	National Dam Safety Program		Environment & Natural Resources	101,110
97.042	Homeland Security	Emergency Management Performance Grants (EMPG)		Public Safety	1,415,408

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Homeland Security (continued)					
97.043	Homeland Security	State Fire Training Systems Grants		Public Safety	329
97.045	Homeland Security	Cooperating Technical Partners (CTP)		Public Safety	1,091,173
97.047	Homeland Security	Pre-Disaster Mitigation (PDM) Competitive Grants		Public Safety	29,381
97.070	Homeland Security	Map Modernization Management Support		Public Safety	122,137
Total Homeland Security					**12,839,384**
Homeland Security Cluster					
97.067	Homeland Security	Homeland Security Grant Program		Public Safety	9,384,382
Total Homeland Security Cluster					**9,384,382**
Housing and Urban Development					
14.169	Housing	Housing Counseling Assistance Program		Housing Development Authority	50,246
14.171	Housing	Manufactured Home Construction and Safety Standards		Public Safety	9,475
14.228	Community Planning and Development	Community Development Block Grants/State's Program		Tourism & State Development	5,622,727
14.231	Community Planning and Development	Emergency Shelter Grants Program		Housing Development Authority	347,632
14.239	Community Planning and Development	Home Investment Partnerships Program		Housing Development Authority	42,584,784
14.251	Rapid City Economic Development - flow through	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants - Skillman RCEDP HUD Forestry	EDP-06-01	SDSMT	101,888
14.251	Community Planning and Development	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	B-02-NI-SD-SD-0005	Tourism & State Development	9,126,559
14.UNKNOWN	Housing	Financing Adjustment Factor (FAF) Refunds		Housing Development Authority	164,822
Total Housing and Urban Development					**58,008,133**

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Interior					
15.021	Bureau of Indian Affairs	Consolidated Tribal Government Program		SDSU	2,386
15.048	Bureau of Indian Affairs	Bureau of Indian Affairs Facilities-Operations and Maintenance-Canada Thistle Control Research	AG6C5000693	SDSU	5,161
15.224	Bureau of Land Management	Cultural Resource Management - Martin BLM Fossil School 07	HLP073010	SDSMT	1,500
15.224	Bureau of Land Management - flow through	Cultural Resource Management	ESA06T020/ESA06T020	Tourism & State Development	78,435
15.227	Bureau of Land Management	Distribution of Receipts to State and and Local Governments - Mineral Leasing and Taylor Grazing		Education	1,080,204
15.228	Bureau of Land Management	National Fire Plan - Wildland Urban Interface Community Fire Assistance	ESA04D004	Agriculture	32,458
15.228	Bureau of Land Management	National Fire Plan - Wildland Urban Interface Community Fire Assistance - Assistance to Rural Fire Fighters	1448-60181-01-J509	Agriculture	6,211
15.228	Bureau of Land Management	National Fire Plan – Wildland Urban Interface Community Fire Assistance – Rural Fire Assistance 9183	ESA030006	Agriculture	21,516
15.504	Bureau of Reclamation	Water Reclamation and Reuse Program - Fencing and Invasive Species Management on Reclamation Projects		Game, Fish & Parks	6,299
15.511	Bureau of Reclamation	Cultural Resources Management - Blunt Reservoir, South Dakota	07FG602242	School & Public Lands	52,697
15.615	Fish and Wildlife Service	Cooperative Endangered Species Conservation Fund		Game, Fish & Parks	5,109
15.617	Fish and Wildlife Service	Wildlife Conservation and Appreciation - Prairie Pothole Venture		Game, Fish & Parks	44,950
15.633	Fish and Wildlife Service	Landowner Incentive Program		Game, Fish & Parks	50,317
15.634	Fish and Wildlife Service	State Wildlife Grants		Game, Fish & Parks	632,995
15.808	Geological Survey	U.S. Geological Survey - Research and Data Collection		Environment & Natural Resources	27,068
15.904	National Park Service	Historic Preservation Fund Grants-In-Aid		Tourism & State Development	601,485

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Interior (continued)					
15.904	U.S. Army Corps of Engineers - flow through	Historic Preservation Fund Grants-In-Aid	DACW45-03-2-001	Tourism & State Development	24,209
15.916	National Park Service	Outdoor Recreation - Acquisition, Development and Planning		Game, Fish & Parks	293,424
15.921	National Park Service	Rivers, Trails and Conservation Assistance - Lewis and Clark NHT or "The Trail"		Tourism & State Development	26,416
15.929	National Park Service	Save America's Treasures		Tourism & State Development	12,556
Total Interior					**3,005,396**
Justice					
16.202	Office of Justice Programs	Prisoner Reentry Initiative Demonstration (Offender Reentry)		Corrections	85,282
16.523	Office of Juvenile Justice and Delinquency Prevention	Juvenile Accountability Block Grants		Corrections	458,856
16.525	Office on Violence Against Women	Grants to Combat Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus		USD	84,528
16.540	Office of Juvenile Justice and Delinquency Prevention	Juvenile Justice and Delinquency Prevention - Allocation to States		Corrections	1,052,830
16.543	Office of Juvenile Justice and Delinquency Prevention	Missing Children's Assistance		Attorney General	52,822
16.548	Office of Justice Programs	Title V - Delinquency Prevention Program		Corrections	51,785
16.550	Bureau of Justice Statistics	State Justice Statistics Program for Statistical Analysis Centers		Attorney General	49,585
16.554	Office of Justice Programs	National Criminal History Improvement Program (NCHIP)		Attorney General	519,327
16.560	Wakpa Sica Historical Society - flow through	National Institute of Justice Research, Evaluation, and Development Project Grants - Sioux Nation Reconciliation		USD	881
16.560	Office of Justice Programs	National Institute of Justice Research, Evaluation, and Development Project Grants		Attorney General	294,048

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Justice (continued)					
16.575	Office of Justice Programs	Crime Victim Assistance		Social Services	1,387,086
16.576	Office of Justice Programs	Crime Victim Compensation		Social Services	54,000
16.579	Office of Justice Programs	Edward Byrne Memorial Formula Grant Program		Attorney General	769,564
16.583	Office of Justice Programs	Children's Justice Act Partnerships for Indian Communities		Attorney General	160,677
16.585	Drug Court Program Office	Drug Court Discretionary Grant Program	2007-DC-BX-0009	Unified Judicial System	119,865
16.588	Office on Violence Against Women	Violence Against Women Formula Grants		Social Services	784,717
16.590	Violence Against Women Office	Grants to Encourage Arrest Policies and Enforcement of Protection Orders		Attorney General	81,329
16.593	Office of Justice Programs	Residential Substance Abuse Treatment for State Prisoners		Human Services	27,294
16.595	Northeast Council of Governments - flow through	Community Capacity Development Office - Public Housing Safety Initiative Project		Attorney General	21,762
16.606	Office of Justice Programs	State Criminal Alien Assistance Program		Corrections	116,698
16.609	Northeast Council of Governments - flow through	Community Prosecution and Project Safe Neighborhoods		Attorney General	59,455
16.710	Office of Community Oriented Policing Services	Public Safety Partnership and Community Policing Grants		Attorney General	20,950
16.710	Office of Community Oriented Policing Services	Public Safety Partnership and Community Policing Grants		Attorney General	12,660
16.727	Office of Juvenile Justice and Delinquency Prevention	Enforcing Underage Drinking Laws Program		Public Safety	248,132
16.735	Office of Justice Programs	Protecting Inmates and Safeguarding Communities Discretionary Grant Program		Corrections	381,404
16.744	Northeast Council of Governments - flow through	Anti-Gang Initiative		Attorney General	34,711
16.SJI-06-N-069	State Justice Institute - flow through	Information Technology Strategic Planning Grant	SJI-06-N-069	Unified Judicial System	6,285
16.SJI-07-N-004	State Justice Institute - flow through	Court Services Officers Weighted Workload Assessment	SJI-07-N-004	Unified Judicial System	45,165

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Justice (continued)					
16.UNKNOWN	Office of National Drug Control Policy	HIDTA Grant		Attorney General	794,795
Total Justice					**7,776,493**
Labor					
17.002	Bureau of Labor Statistics	Labor Force Statistics		Labor	566,029
17.203	Employment and Training Administration	Labor Certification for Alien Workers		Labor	64,161
17.225	Employment and Training Administration	Unemployment Insurance (Note 3L)		Labor	29,182,062
17.235	Employment and Training Administration	Senior Community Service Employment Program		Labor	611,821
17.245	Employment and Training Administration	Trade Adjustment Assistance		Labor	525,038
17.266	Employment and Training Administration	Work Incentive Grants		Labor	221,404
17.267	Employment and Training Administration	Incentive Grants - Workforce Investment Act Section 503		Labor	26,638
17.504	Occupational Safety and Health Administration	Consultation Agreements		SDSU	299,376
17.504	Occupational Safety and Health Administration	Consultation Agreements-On-Site Consultation	E9F7-0983	SDSU	118,222
17.600	Mine Safety and Health Administration	Mine Health and Safety Grants - USDOL MSHA Training	E4R4003838	SDSMT	1,376
17.600	Mine Safety and Health Administration	Mine Health and Safety Grants - Kliche USDOL MSHA FY07	E4R7003838	SDSMT	10,923
17.AE98046000	Employment and Training Administration	Job Corps	AE98046000	Labor	248,948
Total Labor					**31,875,998**
Medicaid Cluster					
93.775	Office of the Secretary	State Medicaid Fraud Control Units		Attorney General	262,406
93.777	Centers for Medicare and Medicaid Services	State Survey and Certification of Health Care Providers and Suppliers		Health	1,949,856
93.778	Centers for Medicare and Medicaid Services	Medical Assistance Program		Social Services	438,087,940
Total Medicaid Cluster					**440,300,202**

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National Aeronautics and Space Administration					
43.001	National Aeronautics and Space Administration - University of North Dakota-pass through	Aerospace Education Services Program	660 NNS06AA83G	SDSU	1,476
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program	NNX07AO52H	SDSU	17,784
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program	NNX07A057H	SDSU	14,855
Total National Aeronautics and Space Administration					**34,115**
National Foundation on the Arts and the Humanities					
45.024	National Endowment for the Arts	Promotion of the Arts-Grants to Organizations and Individuals		SDSU	3,300
45.024	National Endowment for the Arts	Promotion of the Arts-Grants to Organizations and Individuals	08-AISC-020	SDSU	1,255
45.025	South Dakota Arts Council - flow through	Promotion of the Arts-Partnership Agreements -"Johanna Meier Opera & Theater Institute" and "Artists in Schools"		BHSU	1,593
45.025	South Dakota Arts Council - flow through	Promotion of the Arts-Partnership Agreements		NSU	3,275
45.025	National Endowment for the Arts	Promotion of the Arts-Partnership Agreements		Tourism & State Development	633,345
45.025	South Dakota Arts Council - flow through	Promotion of the Arts-Partnership Agreements	00-PG-034	SDSU	28,708
45.149	National Endowment for the Humanities	Promotion of the Humanities-Division of Preservation and Access		SDSU	1,241
45.161	South Dakota Humanities - flow through	Promotion of the Humanities-Research	4604	SDSU	4,689
45.164	National Endowment for the Humanities	Promotion of the Humanities-Public Programs	MR-50003-07	SDSU	599
45.164	National Endowment for the Humanities	Promotion of the Humanities-Public Programs		DSU	920
45.310	Office of Library Services	Grants to States		Education	949,769
45.312	Institute of Museum and Library Services	National Leadership Grants	LG-30-04-0243-04	SDSMT	6,715
Total National Foundation on the Arts and the Humanities					**1,635,409**

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National Science Foundation					
47.070	National Science Foundation	Computer and Information Science and Engineering		USD	3,723
47.076	National Science Foundation	Education and Human Resources - Opportunities in Computer Science and Mathematics for Low Income Students		USD	43,563
47.076	National Science Foundation	Education and Human Resources	DUE-0733691	SDSU	2,049
47.076	National Science Foundation	Education and Human Resources - NSF Program 03-523 - Advance Technological Education (ATE) - "Validating a Distance Education Model for Delivering Electronic Curriculum to Rural High School Students"	DUE-0402596	BHSU	4,324
47.076	National Science Foundation	Education and Human Resources - MACSTECH Scholars: Mathematics and Computer Science Technology		DSU	36,069
47.076	National Science Foundation	Education and Human Resources - Lisenbee NSFGrad Fellow - L Gro	DGE-0649627	SDSMT	40,500
47.076	Black Hills Special Services Cooperative/Technology in Education, Rapid City, SD - flow through	Education and Human Resources - NSF HER-MSP Targeted Award - "PRIME"	0227521	BHSU	56,819
47.076	National Science Foundation	BHSU Integrative Genomics Transistion Scholarship Program		BHSU	81,503
47.076	National Science Foundation	Education and Human Resources	DUE-0728584	SDSU	93,306
47.076	National Science Foundation	Education and Human Resources - NSF CSEMS	DUE-0422515	SDSMT	103,592
47.076	National Science Foundation	Education and Human Resources	DUE-0220820	SDSU	15,608
47.076	National Science Foundation	Education and Human Resources	DUE-0728584	SDSU	6,226
47.079	National Science Foundation	International Science and Engineering - Winter NSF IPA	OISE-0649840	SDSMT	163,956
47.ATM0619974	National Science Foundation	NSF IPA ASSISTPRGMGR	ATM-0619974	SDSMT	42,353
Total National Science Foundation					**693,591**
Research and Development Cluster					
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-6645-5-287	SDSU	58,404

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-5447-7-322	SDSU	211,304
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	59-0790-4-121	SDSU	111,048
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	59-0790-4-107	SDSU	76,845
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-6645-5-280	SDSU	43,353
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-3625-7-613	SDSU	38,092
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	59-0790-4-130	SDSU	37,406
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-3611-6-127	SDSU	11,244
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	59-0790-8-066	SDSU	533
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	59-0790-4-097	SDSU	7,133
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-5447-6-357	SDSU	5,981
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	58-5447-7-713	SDSU	1,557
10.001	Agricultural Research Service	Agricultural Research-Basic and Applied Research	59-0790-5-077	SDSU	12,533
10.025	Animal and Plant Health Inspection Service	Plant and Animal Disease, Pest Control, and Animal Care	07-9419-0100-CA	SDSU	239,867
10.028	Utah State University - flow through	Wildlife Services	61141005	SDSU	2,436
10.155	Agricultural Marketing Service	Marketing Agreements and Orders	12-25-G-0489	SDSU	21,538
10.200	Cooperative State Research, Education, and Extension Service - Montana State University-flow through	Grants for Agricultural Research - Special Research Grants	61-4134F, 2007-34383-18224	SDSU	24,905
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2006-345556-17291	SDSU	212,435

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2006-34486-17069	SDSU	193,288
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2005-34474-16038	SDSU	160,445
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2005-34486-16023	SDSU	148,083
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research- Special Research Grants	2006-34474-17038	SDSU	117,056
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2006-34473-17099	SDSU	109,540
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2004-34486-15085	SDSU	106,603
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2007-37610-18260	SDSU	27,669
10.200	Cooperative State Research, Education, and Extension Service - University of Arizona - flow through	Grants for Agricultural Research - Special Research Grants	PO # Y414467 (IALC #05D-01)	SDSU	21,792
10.200	Cooperative State Research, Education, and Extension Service - University of Nebraska - flow through	Grants for Agricultural Research - Special Research Grants	25-6205-0042-018	SDSU	17,255
10.200	Cooperative State Research, Education, and Extension Service - North Dakota State University - flow through	Grants for Agricultural Research - Special Research Grants	FAR0010670b	SDSU	10,686
10.200	Cooperative State Research, Education, and Extension Service - North Dakota State University - flow through	Grants for Agricultural Research - Special Research Grants	13523, 2007-38624-18602	SDSU	7,791

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.200	Corporative State Research, Education, and Extensive Service - North Dakota State University - flow through	Grants for Agricultural Research - Special Research Grants	2006-34486-17069	SDSU	7,340
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2004-34474-15053	SDSU	6,153
10.200	Michigan State University - flow through	Grants for Agricultural Research - Special Research Grants	61-4054R	SDSU	337
10.200	University of Arizona - flow through	Grants for Agricultural Research - Special Research Grants	2004-34473-14604	SDSU	103,241
10.200	University of Nebraska - flow through	Grants for Agricultural Research - Special Research Grants	25-6205-0037-035	SDSU	12,768
10.200	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Special Research Grants	2005-34556-16101	SDSU	81,691
10.202	Cooperative State Research, Education, and Extension Service	Cooperative Forestry Research		SDSU	90,795
10.203	Corporative State Research, Education, and Extensive Service - Iowa State University - flow through	Payments to Agricultural Experiment Stations Under the Hatch Act	415-49-02	SDSU	35,180
10.203	Cooperative State Research, Education, and Extension Service	Payments to Agricultural Experiment Stations Under the Hatch Act	415-49-02	SDSU	2,759,579
10.206	University of Minnesota - flow through	Grants for Agricultural Research - Competitive Research Grants	2004-35204-14827	SDSU	48,152
10.206	Cooperative State Research, Education, and Extension Service - University of Minnesota - flow through	Grants for Agricultural Research - Competitive Research Grants	Q6706413101	SDSU	28,561
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35504-18236	SDSU	99,665
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35301-18221	SDSU	93,008

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2006-35206-16687	SDSU	61,401
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agriculture Research_Competitive Research Grant - Menkhaus USDA CSREES Flocculation	2007-35504-18344	SDSMT	59,565
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35200-17837	SDSU	57,168
10.206	Cooperative State Research, Education, and Extension Service - University of Northern Illinois	Grants for Agricultural Research - Competitive Research Grants	060505/0000614	SDSU	41,622
10.206	Auburn University - flow through	Grants for Agricultural Research - Competitive Research Grants	Q6706392293	SDSU	35,287
10.206	Cooperative State Research, Education, and Extension Service - University of Minnesota - flow through	Grants for Agricultural Research - Competitive Research Grants	Q505143	SDSU	30,124
10.206	University of Iowa - flow through	Grants for Agricultural Research - Competitive Research Grants	2005-35204-16112	SDSU	42,292
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35204-18333	SDSU	27,945
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2005-35504-15460	SDSU	27,042
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35204-18466	SDSU	26,068
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35503-18417	SDSU	24,763
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	25-6239-0135-002	SDSU	23,839

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-35206-17901	SDSU	19,393
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2007-55618-18223	SDSU	6,065
10.206	Cooperative State Research, Education, and Extension Service	Grants for Agricultural Research - Competitive Research Grants	2008-35215-18814	SDSU	4,672
10.206	Cooperative State Research, Education, and Extension Service - University of Minnesota - flow through	Grants for Agricultural Research - Competitive Research Grants	Q6286224171	SDSU	4,406
10.206	Cooperative State Research, Education, and Extension Service - University of Minnesota - flow through	Grants for Agricultural Research - Competitive Research Grants	Q6706392343	SDSU	41,524
10.207	Cooperative State Research, Education, and Extension Service	Animal Health and Disease Research		SDSU	39,155
10.215	Cooperative State Research, Education, and Extension Service - University of Minnesota - flow through	Sustainable Agriculture Research and Education	Q4089053117	SDSU	2,116
10.215	Cooperative State Research, Education, and Extension Service - University of Minnesota - flow through	Sustainable Agriculture Research and Education	Q4089053115	SDSU	24,324
10.217	Cooperative State Research, Education, and Extension Service - University of North Carolina - flow through	Higher Education Challenge Grants	20070217.2, 2007-38411-18159	SDSU	30,023
10.227	Oglala Lakota College - flow through	1994 Institutions Research Program	OLC # 2005-AGNR2002-SDSU	SDSU	2,824
10.227	Sinte Gleska University - flow through	1994 Institutions Research Program		SDSU	7,181

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.227	Cooperative State Research, Education, and Extension Service - Fort Berthold - flow through	1994 Institutions Research Program	USDA 17939-07	SDSU	1,437
10.250	Economic Research Service	Agricultural and Rural Economic Research	58-5000-6-0063	SDSU	16,031
10.303	Colorado State University - flow through	Integrated Programs	G-1418-2	SDSU	124,323
10.303	Montana State University - flow through	Integrated Programs	61-4256P	SDSU	42,817
10.303	Michigan State University - flow through	Integrated Programs	2007-51130-03875	SDSU	19,579
10.304	Cooperative State Research, Education, and Extension Service	Homeland Security-Agricultural	2005-37620-16045	SDSU	91,495
10.304	Kansas State University - flow through	Homeland Security-Agricultural	2002-30001-12086	SDSU	22,355
10.450	University of Nebraska - flow through	Crop Insurance	25-6261-0002-004	SDSU	3,322
10.475	Food Safety and Inspection Service	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	FSIS-C-34-2005/03	SDSU	145,905
10.500	Cooperative State Research, Education, and Extension Service - University of Nebraska - flow through	Cooperative Extension Service	25-6309-0027-020	SDSU	163
10.500	Cooperative State Research, Education, and Extension Service - University of Nebraska-flow through	Cooperative Extension Service	2003-47001-01659	SDSU	22,870
10.652	Forest Service	Forestry Research	PNW 06-JV-11261976-270	SDSU	14,216
10.652	Forest Service	Forestry Research	07-JV-11221609-191	SDSU	10,602
10.652	Forest Service	Forestry Research	05-CS-11011800-021	SDSU	8,395
10.652	Forest Service	Forestry Research	07-JV-11221609-279	SDSU	6,703
10.652	Forest Service	Forestry Research	07-JV-11221609-262	SDSU	5,746

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
10.903	Natural Resources Conservation Service	Soil Survey	65-6740-7-10	SDSU	4,910
10.912	Natural Resources Conservation Service	Environmental Quality Incentives Program - USDA NRCS C-TRADE-PZ	NRCS 68-3A75-4-169	SDSMT	44,724
10.912	Natural Resources Conservation Service	Environmental Quality Incentives Program	NRCS 69-3A75-7-117	SDSU	2,721
10.912	Natural Resources Conservation Service	Environmental Quality Incentives Program-Environmental Quality Irrigation	68-6740-6-08	SDSU	37,425
10.912	Natural Resources Conservation Service - Iowa State University - flow through	Environmental Quality Incentives Program	410-30-87	SDSU	22,376
10.961	Foreign Agricultural Service	Scientific Cooperation and	58-3148-7-043	SDSU	2,249
10.961	Foreign Agricultural Service	Scientific Cooperation and Research-International Agricultural Research Program	58-3148-4-061	SDSU	882
11.460	National Oceanic and Atmospheric Administration	Special Oceanic and Atmospheric Projects - Farley WRAF DOC NOAA Health	WRAF-060-4	SDSMT	129,004
11.460	Western Research Alliance Foundation - flow through	Special Oceanic and Atmospheric Projects - "Great Plains Center for Atmosphere and Human Health"		BHSU	121,165
12.002	American Science and Technology - flow through	Procurement Technical Assistance for Business Firms-Fatigue Odomo	AST-SDSU-2007	SDSU	590,664
12.105	Department of the Army, Office of the Chief of Engineers	Protection of Essential Highways, Highway Bridge Approaches and Public Works	311014	SDSU	37,552
12.300	Office of Naval Research	Basic and Applied Scientific Research-Defense Threat	HDTRA 1-07-C-0026	SDSU	174,170
12.300	Department of the Navy	Basic and Applied Scientific Research-DEPSCOR ONR SPIN 2	N00014-06-1-0616	SDSMT	146,786
12.300	Office of Naval Research	Basic and Applied Scientific Research-Genetic Strategies		USD	131,544
12.300	Armament Research Development and Engineering Center - flow through	Basic and Applied Scientific Research-ARDEC NANOMATERIALS	W15QKN-06-D-0006	SDSMT	701,274

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
12.420	US Department of Army / US Army Medical Research Acquisition Activity	Military Medical Research and Development-Sears USA MRMC AML BMI 07	W81XWH-08-1-0315	SDSMT	274,235
12.420	State University of New York - flow through	Military Medical Research and Development-Structure Optimization modified Porphyrins Absorbing Long-wavelength Light Potential Photosensitizers against Breast Cancer	R4222131	SDSU	6,862
12.420	Battell Chapel Hill - flow through	Military Medical Research and Development - Analysis of the cyanide metabolite 2-aminothiazoline-4-carboxylic acid (ATCA) in fish tissue and biological matrices	TCN 06027	SDSU	48,766
12.420	W. Carter Johnson Firm, Brookings, SD - flow through	Military Medical Research and Development		USD	319,792
12.420	U.S. Army Medical Command	Military Medical Research and Development		SDSU	32,145
12.420	Department of the Army	Military Medical Research and Development		USD	132,285
12.431	University of Minnesota - flow through	Basic Scientific Research - UMN Durint	R5306503301	SDSMT	14,207
12.431	Army Research Office	Basic Scientific Research - DOD ARO NANOENERG	W911NF-05-1-0310	SDSMT	90,312
12.431	Army Research Office	Basic Scientific Research - DEPSCOR ARO POLYCARB	W911NF-05-1-0424	SDSMT	107,435
12.630	Office of the Secretary of Defense	Basic, Applied, and Advanced Research in Science and Engineering - ARL AMP Projects	DAAD19-02-2-0011	SDSMT	2,695,640
12.630	Office of the Secretary of Defense	Basic, Applied, and Advanced Research in Science and Engineering - Dolan ARL Penetrating Radar Study	W911NF-07-2-0010	SDSMT	310,158
12.800	Air Force Research Laboratory - flow through	Air Force Defense Research Sciences Program-Pillay AFRL FY06	FA9453-06-C-0366	SDSMT	857,481
12.902	National Security Agency	Information Security Grant Program		DSU	30,730
12.F29601-03-C-0133	Air Force Research Laboratory - flow through	AFRL Dimensional/AFRL Advanced Mirror	F29601-03-C-0133	SDSMT	651,965

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
12.SP0700-97-D-031	Defense	Pillay Alion DOD EAFB Aging Aircraft	SP0700-97-D-0301	SDSMT	240,421
12.UNKNOWN	US Department of Defense / Radiance Technologies	Medlin Radiance DOD AERI	07S-2061	SDSMT	23,144
12.W15QKN-06-P-0003	Armament Research Development and Engineering Center - flow through	ARDEC OPTODENDRIMERS	W15QKN-06-P-0003	SDSMT	20,050
15.051	Bureau of Indian Affairs	Endangered Species on Indian Lands	06PG600113 - Order Number	SDSU	53
15.05PG620017	US Department of Interior / Bureau of Reclamation / National Park Service	Martin USDOI-BOR Angostura Res 07	05PG620017	SDSMT	8,705
15.231	North Dakota Game, Fish, and Parks - flow through	Fish, Wildlife and Plant Conservation Resource Management-Fish Conservation Research in ND	KAA061006	SDSU	82,089
15.231	Bureau of Land Management	Fish, Wildlife and Plant Resource Management	J1300080049	SDSU	108
15.231	Bureau of Land Management	Fish, Wildlife and Plant Resource Management	J6820081161	SDSU	1,113
15.231	North Dakota Game, Fish and Parks - flow thru	Fish, Wildlife and Plant Resource Management	J1300030126	SDSU	14,458
15.231	Bureau of Land Management - North Dakota Game Fish and Parks	Fish, Wildlife and Plant Resource Management		SDSU	68,315
15.504	Bureau of Reclamation	Water Reclamation and Reuse Program-Water Conservation Assistance	01FG601544	SDSU	1,833
15.504	Bureau of Reclamation	Water Reclamation and Reuse Program	07SQ600149	SDSU	30,313
15.507	Bureau of Reclamation	Water 2025-Water Conservation Activities	06FG02171	SDSU	20,843
15.600	Ducks Unlimited - flow through	National Wildlife Refuge Research	US-HI-2-5	SDSU	4,787
15.605	University of Nebraska - flow through	Sport Fish Restoration Program	J6288060003	SDSU	719
15.605	Nebraska Game and Parks - flow through	Sport Fish Restoration Program	Study 1582	SDSU	1,102

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
15.608	Fish and Wildlife Service	Fish and Wildlife Management Assistance - Breeding Ecology of American Three-Toed Woodpeckers in the South Dakota Black Hills		USD	11,732
15.608	Fish and Wildlife Service	Fish and Wildlife Management Assistance-Invasive Plant Impacts on Grassland Birds	301817Y027	SDSU	18,979
15.615	Illinois Dept. of Natural Resources - flow through	Cooperative Endangered Species Conservation Fund - Monitoring larvae of somatochlora hineana		USD	8,808
15.623	Fish and Wildlife Service	North American Wetlands Conservation Fund - Restorable Wetlands Identification and Delineation	301813D003	SDSU	24,800
15.647	North Dakota Game, Fish and Parks - flow thru	Migratory Bird Conservation		SDSU	52,962
15.805	Geological Survey	Assistance to State Water Resources Research Institutes	06HQGR0120	SDSU	49,656
15.808	Geological Survey	US Geological Survey-Research and Data Collection-Fuel Treatment Effectiveness in the US	07CRAG0001	SDSU	59,225
15.808	Geological Survey	Geological Survey_Research and Data Collection	08HQAG0002	SDSU	22,821
15.808	United States Geological Survey	United States Geological Survey_Research and Data Collection - Sundareshwar USGS Phosphorus	07JTSA0087	SDSMT	138
15.808	Geological Survey	Geological Survey_Research and Data Collection	07CRAG0004	SDSU	60,821
15.808	Geological Survey	US Geological Survey-Research and Data Collection-An Image Assessment System for the Landsat Thematic Mapper	2013CS0005	SDSU	63,376
15.808	Geological Survey	Geological Survey_Research and Data Collection	65E060074	SDSU	17,914
15.808	Geological Survey	Geological Survey_Research and Data Collection		SDSU	15,525

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
15.808	Geological Survey	US Geological Survey-Research and Data Collection-Radiometric calibration of an earth imaging sensor for scientific measurements of the earth as a system.	06CRCN0026	SDSU	123,925
15.808	Geological Survey	Geological Survey_Research and Data Collection	07CRAG0006	SDSU	14,871
15.808	Geological Survey	US Geological Survey-Research and Data Collection-Fishes and riverine habitat of Badlands National Park, with emphasis on the sturgeon chub and other imperiled species.	1434-00HQRU1549 WO96	SDSU	11,449
15.808	Geological Survey	Geological Survey_Research and Data Collection	02CRAG0013	SDSU	5,519
15.808	Geological Survey	U.S. Geological Survey - Research and Data Collection - Enhancements in Support of NASA ROSES Decisions		DSU	18,186
15.808	Science Applications International Companies - flow through	US Geological Survey-Research and Data Collection-SDSU/EROS Initial Coordination for GIScCE Collaborative Research	4400118362	SDSU	2,915
15.808	Geological Survey	Geological Survey_Research and Data Collection	07CRAG0022	SDSU	7,098
15.808	America View - flow through	US Geological Survey-Research and Data Collection-Ground Characterization of Tree Canopy Conditions Using a Multiwavelength Polarimetric Lidar	AV06-SD02	SDSU	52,516
15.810	Geological Survey	National Cooperative Geologic Mapping Program	98210-3-J135	SDSU	10,577
15.812	Geological Survey	Cooperative Research Units Program	1434-00HQRU1549 WO93	SDSU	170,134
15.910	National Park Service	National Natural Landmarks Program - Devils Tower National Monument archaeological site condition assessments		USD	4,599
15.921	National Park Service	Rivers, Trails and Conservation Assistance - Martin USDOI NPS BNP Backlog Cur 08	H130005A026-J1300080034	SDSMT	4,346

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
15.921	National Park Service	Rivers, Trails and Conservation Assistance - USDOI NPS PigDig 06	H130005A026-J1300060019	SDSMT	1,506
15.921	National Park Service	Rivers, Trails and Conservation Assistance - USDOI-NPS PigDig 5-6	H130005A026-J1300060001	SDSMT	4,885
15.921	National Park Service	Rivers, Trails and Conservation Assistance - Martin USDOI NPS Backlog Cur 2007	H130005A026-J1300070024	SDSMT	19,599
15.921	National Park Service	Rivers, Trails and Conservation Assistance - Martin USDOI NPS BNP Pig Dig 08	H130005A026-J1300080023	SDSMT	4,211
15.921	National Park Service	Rivers, Trails and Conservation Assistance - Martin USDOINPS Pig Dig 07	H130005A026-Mod 0007	SDSMT	30,237
15.923	Great Plains Cooperative Ecosystem Studies Unit - flow through	National Center for Preservation Technology and Training		USD	60,432
15.HLP073027	US Department of Interior / Bureau of Land Management	Martin BLM Horse	HLP073027	SDSMT	12,232
15.J1390070101	National Park Service Great Plains Cooperative Ecosystem Studies Unit Task Agreement	Herpetological Inventory and Assessment of Critical Habitat, Devils Tower National Monument		BHSU	3,924
20.100	Federal Aviation Administration	Aviation Education-Flight Training Device (FTD)	DTOS59-06-G-00027	SDSU	16,402
20.108	Federal Aviation Administration	Aviation Research Grants	05-G-020	SDSU	39,982
20.108	Department of Transportation	Aviation Research Grants	06-G-010	SDSU	12,213
20.108	Department of Transportation	Aviation Research Grants	2004-G-039	SDSU	257,286
20.205	North Dakota State University - flow through	Highway Planning and Construction	DTRT07-G-0008	SDSU	63,604
20.205	North Dakota State University - flow through	Highway Planning and Construction-MPC at SDSU: A research, teaching, and outreach transportation center	DTRS99-G-0008 PRIME	SDSU	3,461
20.205	Federal Highway Administration	Highway Planning and Construction - Bang S DOT FHWA Asphalt Recycling	DTFH61-06-C-00038	SDSMT	244,774

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
20.600	Illinois State Toll Highway - flow through	State and Community Highway Safety - Evaluation of the endangered Hine's emerald dragonfly in the Des Plaines River Valley		USD	311,763
20.600	National Highway Traffic Safety Administration	State and Community Highway Safety - BRB CODES (Crash Outcome Data Evaluation System)		USD	15,439
20.761	Department of Transportation	Biobased Transportation Research	DTOS59-07-G-00054	SDSU	453,990
43.001	National Aeronautics and Space Administration	Aerospace Educations Services Program - Development of an image assessment system for the advance land imager	NNG04GE50A	SDSU	59,840
43.001	University of Virginia - flow through	Aerospace Education Services Program-App of NASA EOS Data in Evaluation of Regional Atmospheric Transport & Radiative Forc Medeling Activity in Southern Africa	GP10088-124332	SDSU	14,844
43.001	University of Nebraska Lincoln - flow through	Aerospace Education Services Program-Land cover land use change effects on surface water quality	25-6238-0274-002	SDSU	43,946
43.001	Grand Valley State University - flow through	Aerospace Education Services Program-Evaluating effects of Institutional change on regional hydrometeorology: Assessing vulnerability of Eurasian semi-arid grain belt.	NNG06GC22G	SDSU	106,952
43.001	University of Maryland - flow through	Aerospace Education Services Program-Establishing a Global Forest Change Monitoring System using Multi-Resolution and Multi-Temporal Remotely Sensed Data Sets	NNG06GD95G	SDSU	256,700
43.001	National Aeronautics and Space Administration - University of Maryland - pass through	Aerospace Education Services Program	Z626701	SDSU	1,567

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Research and Development Cluster (continued)					
43.001	National Aeronautics and Space Administration - University of Maryland - pass through	Aerospace Education Services Program	Z602501	SDSU	11,247
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program	NNX08AL93A	SDSU	23,156
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program-United States Land Cover Land Use Change, Albedo and Radiative Forcing: Past and Potential Climate Implications	NNX06AF87H	SDSU	24,650
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program-Refinement of Landsat Thematic Mapper Radiometry	NNG05GB83G	SDSU	58,792
43.001	National Aeronautics and Space Administration - University of Maryland - pass through	Aerospace Education Services Program	Z622001	SDSU	73,427
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program-NASA SG 05	NNG05GJ98H	SDSMT	342,990
43.001	National Aeronautics and Space Administration	Aerospace Education Services Program - Arbegast Transition 45 Tech IN718 FSP	PO SDS020107	SDSMT	26,551
43.002	National Aeronautics and Space Administration	Technology Transfer - NASA EPSCoR Core	NCC5-588	SDSMT	243,313
43.002	Boston University - flow through	Technology Transfer-A Daily BRDF/Albedo Algorithm for MODIS Direct Broadcast Sites	GC192807NGA	SDSU	26,255
43.002	University of North Dakota - flow through	Technology Transfer-UMAC Continuation: Remote Sensing and Precision Agriculture	784 NNX06AE16G	SDSU	42,182
43.002	National Aeronautics and Space Administration	Technology Transfer - Duke NASA EPSCoR Fong	NNX07AT52A	SDSMT	11,969
43.002	National Aeronautics and Space Administration	Technology Transfer-Invasive Species Forecast	NNX06AD50G	SDSU	13,450
43.002	National Aeronautics and Space Administration	Technology Transfer - Duke NASA EPSCOR Core RID	NNX07AL04A	SDSMT	37,565
43.002	National Aeronautics and Space Administration	Technology Transfer	NNX07AF16G	SDSU	252,743

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Research and Development Cluster (continued)					
43.002	National Aeronautics and Space Administration	Technology Transfer - Duke NASA EPSCoR SDSU	NNX07AT61A	SDSMT	52,427
43.002	National Aeronautics and Space Administration	Technology Transfer	NNG05GB83G	SDSU	190,956
43.NNG04GE46G	National Aeronautics and Space Administration	NASA 3-D Mod Nox	NNG04GE46G	SDSMT	71,616
43.NNG05GL55G	National Aeronautics and Space Administration	Mars Fundamental Research Program "Mars Lava Flow Surface Morphology: An Avenue for Answering Fundamental Questions Regarding the Rates and Styles of Volcanism"	NNG05GL55G	BHSU	13,931
43.NNX07AL35A	National Aeronautics and Space Administration	Petukhov NASA Lithium SPIN Yr 2	NNX07AL35A	SDSMT	25,460
47.041	National Science Foundation	Engineering Grants	ECS-0238533	SDSU	27,062
47.041	National Science Foundation	Engineering Grants - NSF MRI Laser	CTS-0320604	SDSMT	84
47.041	National Science Foundation	Engineering Grants - NSF Biosealant	CMS-0301312	SDSMT	2,277
47.041	National Science Foundation	Engineering Grants - NSF REU Site MUS&T	EEC-0244189	SDSMT	3,883
47.041	National Science Foundation	Engineering Grants	IIP-0733884	SDSU	4,646
47.041	National Science Foundation	Engineering Grants - Roggenthen NSF Seismic	CMMI-0727921	SDSMT	14,716
47.041	National Science Foundation	Engineering Grants - Bang SS NSF Dust Control	CMMI-0725398	SDSMT	23,318
47.041	National Science Foundation	Engineering Grants - NSF SHS Composites	CTS-0327962	SDSMT	25,109
47.041	National Science Foundation	Engineering Grants - NSF MRI SEM	CMS-0521001	SDSMT	4,388
47.041	National Science Foundation	Engineering Grants - Karlin NSF Career Learning Orgs	EEC-0644796	SDSMT	43,769
47.041	National Science Foundation	Engineering Grants - NSF Swine Antimicro	BES-0606986	SDSMT	84,065
47.041	National Science Foundation	Engineering Grants - NSF FSP IUCRC	EEC-0437396	SDSMT	97,166
47.041	National Science Foundation	Engineering Grants - NSF MRI VSFG SPEC	CTS-0520985	SDSMT	100,180
47.041	National Science Foundation	Engineering Grants - NSF RET SITE IERAR	EEC-0502310	SDSMT	113,394

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Research and Development Cluster (continued)					
47.041	National Science Foundation	Engineering Grants	ECCS-0723114	SDSU	235,650
47.041	National Science Foundation	Engineering Grants - NSF REU SITE 3M	EEC-0453216	SDSMT	24,182
47.041	National Science Foundation	Engineering Grants - Dixon NSF IUCRC Biomass	IIP-0733980	SDSMT	5,122
47.049	National Science Foundation	Mathematical and Physical Sciences - Photodynamics and Materials at the Nanoscale		USD	76,282
47.049	National Science Foundation	Mathematical and Physical Sciences - Smith NSF MRI Nano-fs	DMR-0619890	SDSMT	83,990
47.049	National Science Foundation	Mathematical and Physical Sciences - Acquisition of a Powder X-ray Diffractometer		USD	125,004
47.049	National Science Foundation	Mathematical and Physical Sciences - Northern Plains Undergraduate Research Center		USD	533,003
47.049	National Science Foundation	Mathematical and Physical Sciences - Acquisition of a Liquid Chromatograph		USD	1,465
47.050	National Science Foundation	Geosciences - NSF WETLANDS CLI 1	ATM-0423815	SDSMT	3,046
47.050	National Science Foundation	Geosciences - NSF HESAPA OYATE	GEO-0503616	SDSMT	73,002
47.050	National Science Foundation	Geosciences - Terry IRIS NSF USArray	480-18	SDSMT	18,526
47.050	National Science Foundation	Geosciences - Study of the Arnes Central volcano of Northwestern Iceland		USD	23,509
47.050	University of California - Berkeley - flow through	Geosciences - Roggenthen UCB NSF DUSEL Design	SA5864-11805	SDSMT	235,220
47.050	National Science Foundation	Geosciences - Geomorphic and climatic control on the evolution of dust sources in the Mojave Desert		USD	19,784
47.050	National Science Foundation	Geosciences - NSF Aircraft Workshop	ATM-0633861	SDSMT	4,690
47.050	National Science Foundation	Geosciences	GEO-0203288	SDSU	5,642
47.050	National Science Foundation	Geosciences - NSF T-28 ARCHIVE	ATM-0531690	SDSMT	16,593

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Research and Development Cluster (continued)					
47.050	National Science Foundation	Geosciences	CCF-0729182	SDSU	17,111
47.050	National Science Foundation	Geosciences - NSF LAKE ICE IV	ATM-0511967	SDSMT	124,001
47.050	National Science Foundation	Geosciences - Sani MSU NSF Biocomplex Env EQ PCR	G019-07-W0996	SDSMT	115,973
47.050	National Science Foundation	Geosciences - Stetler NSF SGER H2O	EAR-0757883	SDSMT	49,576
47.050	National Science Foundation	Geosciences - Experimental Study of Coherent Structures in Breaking Waves	OCE-0525676	SDSU	49,511
47.070	National Science Foundation	Computer and Information Science and Engineering		DSU	22,538
47.074	National Science Foundation	Biological Sciences - Performance and fitness consequences of insect ornaments		USD	103,695
47.074	National Science Foundation	Biological Sciences-Participant Support Costs	DBI-0604755	SDSU	643,429
47.074	National Science Foundation	Biological Sciences - Linking evolution to genomics using phenotype ontologies		USD	322,681
47.074	National Science Foundation	Biological Sciences	IOS-0641376	SDSU	110,363
47.074	National Science Foundation	Biological Sciences - Collaborative research: Systematics of cypriniformes, earth's most diverse clade of freshwater fishes		USD	51,459
47.074	National Science Foundation	Biological Sciences - Cellular mechanisms of intrinsic and extrinsic sensitization		USD	30,690
47.074	National Science Foundation	Biological Sciences - Sundareshwar NSF SGER Rapid Creek	DEB-0745690	SDSMT	10,565
47.074	National Science Foundation	Biological Sciences - Physiological genomics and signal transduction in the ovary		USD	10,254
47.074	National Science Foundation	Biological Sciences	BHSU-SDSU NSF 07-04	SDSU	5,038
47.074	National Science Foundation	Biological Sciences - NSF MRI BCF NUT ANAL	DBI-0521274	SDSMT	725
47.074	National Science Foundation	Biological Sciences - Function of activation domains in gene-specific transcription factors		USD	194

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Research and Development Cluster (continued)					
47.074	National Science Foundation - Carnegie Institution of Washington - pass through	Biological Sciences	6-2091-03, DBI-0701731	SDSU	47,036
47.074	Iowa State University - flow through	Biological Sciences - DBI-Plant Genome Research Project		USD	235,021
47.074	University of Minnesota - flow through	Biological Sciences-Global Measurement of Turnover of Plant Proteins	X4136278101	SDSU	84,664
47.074	National Science Foundation	Biological Sciences - NSF 05-575 Biological Reseach Collections - "Herbarium Improvement and Development of a Consolidated Vascular Plant Database for Western South Dakota and Eastern Wyoming"	DBI-0545102	BHSU	172,263
47.074	National Science Foundation	Biological Sciences - Phylogeography of Hawaiian schiedea: a multigene, coalescent approach		USD	99,920
47.076	National Science Foundation	Education and Human Services	EPS-0554609	SDSU	1,766,761
47.076	National Science Foundation	Education and Human Resources - NSF Program 7300 - Teacher Enhancement Program - "A Black Hills Teaching Project to Prepare K-8 Teachers for the New Millennium"	ESI-9819643	BHSU	89,429
47.076	National Science Foundation	Education and Human Resources - Medlin NSF CCLI Black	DUE-0717887	SDSMT	63,862
47.076	National Science Foundation	Education and Human Services	EPS-0533039	SDSU	657
47.076	National Science Foundation	Education and Human Resources		DSU	3,405
47.078	National Science Foundation	Polar Programs	ARC-0612461	SDSU	84,323
47.078	National Science Foundation	Polar Programs	ANT-0538553	SDSU	70,492
47.079	National Science Foundation	International Science and Engineering - NSF NAMIBIA DDEP	OISE-0525981	SDSMT	1,040
66.06-JV-11015600-019	US Department of Agriculture Forest Service - flow through	USDA-FS EPA U STUDY	06-JV-11015600-019	SDSMT	101,707
66.111	Office of Solid Waste and Emergency Response	Regional Environmental Priority Projects	NONE	SDSU	38,450

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Research and Development Cluster (continued)					
66.460	Office of Water	Nonpoint Source Implementation Grants - Kenner RESPEC Belle Seg III	SDSMT-RESPEC 07-01	SDSMT	55,268
66.461	Office of Water	Regional Wetland Program Development Grants	CP-97835401-0	SDSU	21,639
66.480	Office of Water	Assessment and Watershed Protection Agency		SDSU	63
66.509	University of Oregon - flow through	Science to Achieve Results (STAR) Research Program - Evaluation of landscape hydrologic response to climate change	RD-83301601	SDSU	208,769
66.511	Office of Research and Development	Office of Research and Development Consolidated Research/Training - "Establishment of the Center for the Conservation of Biological Resources at Black Hills State University"	CR-83152201-0	BHSU	80,989
66.515	Office of Research and Development	Greater Opportunities: Research Program - Liquid Carbon Dioxide-Based on Leather Processing	GR-83335601	SDSU	88,975
66.951	Office of Environmental Education	Environmental Education Grants - Missouri River Institute Grant		USD	89,051
66.WRWDD 07-18	West River Water Development District - flow through	Kenner WRWDDCheyenne TMDL	SDSM&T-WRWDD 07-18	SDSMT	122,885
81.049	Department of Energy - Los Alamos National Laboratory (New Mexico) - flow through	Office of Science Financial Assistance Program - Monte Carlo simulations relevant to design of Dark matter experiment		USD	30,822
81.049	Office of Science	Office of Science Financial Assistance Program - DOE Thermoplastic	DE-FG02-04ER46117	SDSMT	58,319
81.049	United States Department of Energy	Office of Science Financial Assistance Program - Sani MSU DOE Uranium Reoxidation	G125-08-W1577	SDSMT	6,225
81.06-1487	Automotive Composites Consortium - flow through	USAMP DOE ACC	06-1487	SDSMT	2,094
81.079	Department of Energy	Regional Biomass Energy Programs	DE-FC36-05GO85041	SDSU	157,844

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Research and Development Cluster (continued)					
81.086	Carpenter Powder Products - flow through	Conservation Research and Development - CPP DOE OIT IMF FGMS	3402	SDSMT	34,289
81.087	US Dept. of Energy - pass through	Renewable Energy Research and Development - Biomass research and development initiative		SDSU	1,247
81.087	US Department of Energy	Renewable Energy Research and Development - Smith S NREL DOE Single Molecul IMG	ZCO-7-77379-01	SDSMT	201,855
81.089	Montana State University - flow through	Fossil Energy Research and Development - MSU DOE PHASE 2	G133-06-W0831	SDSMT	7,881
84.116	Office of the Assistant Secretary for Postsecondary Education	Fund for the Improvement of Postsecondary Education		DSU	20,717
93.067	Centers for Disease Control and Prevention	Global AIDS-National Children's Study Vanguard Center	HHSN275200603416C	SDSU	779,446
93.100	Sanford Research - South Dakota Health Research Foundation - flow through	Health Disparities in Minority Health - "EXPORT P20 CENTER" "Center for Health Research with Tribes in South Dakota-Montana-Wyoming / Cultural Resilience & Adolescent Risk Behavior"		BHSU	280,414
93.100	Westat, Inc. - flow through	Health Disparities in Minority Health		BHSU	1
93.113	New York Medical College - flow through	Environmental Health - Biological Response to Environmental Health Hazards		USD	13,248
93.121	National Institutes of Health	Oral Diseases and Disorders Research - Expression of Cell Surface Proteins in Streptococcus Mutans		USD	127,747
93.121	National Institutes of Health	Oral Diseases and Disorders Research - Rechargeable Antimicrobial Dental Unit Waterline Tubing		USD	65,163
93.121	National Institutes of Health	Oral Diseases and Disorders Research - Mechanisms of Virulence Gene Regulation in Streptococcus Mutans		USD	33,813

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CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
Research and Development Cluster (continued)					
93.121	National Institutes of Health	Oral Diseases and Disorders Research - Rechargeable Long-term Antifungal Denture Materials		USD	844
93.134	South Dakota Lions Eye Bank - flow through	Grants to Increase Organ Donations	1R3OT07542-01-01	SDSU	57,464
93.173	University of Iowa - flow through	Research Related to Deafness and Communication Disorders - Limbic & Motor System Interaction in Laryngeal Function		USD	3,262
93.226	Montana-Wyoming Tribal Leaders Council - flow through	Research on Healthcare Costs, Quality and Outcomes - Minority Research Infrastructure Program R24 HS14034-01		BHSU	4,945
93.228	Indian Health Service	Indian Health Service - Health Management Development Program		USD	84,138
93.230	Substance Abuse and Mental Health Services Administration - Sisseton-Wahpeton Oyate - flow through	Consolidated Knowledge Development and Application (KD&A) Program - Sisseton-Wahpeton Cancer Study		USD	9,293
93.242	National Institutes of Health	Mental Health Research Grants-Serotonin impulsitivity and health-risk behavior 1R15MH077654-01A1		BHSU	20,722
93.262	Centers for Disease Control and Prevention	Occupational Safety and Health Program - Antibiofilm tubing to reduce occupational exposure to biohazards in dentistry		USD	920
93.262	Centers for Disease Control and Prevention	Occupational Safety and Health Program - Multipurpose Protective Clothes for Emergency Responders		USD	29,449
93.262	Centers for Disease Control and Prevention	Occupational Safety and Health Program - Kerk SDSU NIOSH Sleepiness	3T7085	SDSMT	1,139
93.273	National Institutes of Health	Alcohol Research Programs - Risk for Alcohol Problems Among College Students		USD	101,790
93.279	National Institutes of Health	Drug Abuse and Addiction Research Programs - Neural Sensitivity to Stress during Drug Withdrawal		USD	282,204

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Research and Development Cluster (continued)					
93.307	National Institutes of Health	Minority Health and Health Disparities Research - EXPORT Project		USD	1,922,279
93.389	National Institutes of Health	National Center for Research Resources - Mechanisms of cardiovascular remodeling		USD	353,340
93.389	National Institutes of Health	National Center for Research Resources - Research Infrastructure		USD	1,268,461
93.389	National Institutes of Health	National Center for Research Resources - Biomedical Technology - BRIN (Biomedical Research Infrastructure Network) for SD		USD	2,981,274
93.393	University of Washington - flow through	Cancer Cause and Prevention Research		USD	46,687
93.395	National Institutes of Health	Cancer Treatment Research - Emerging Strategies: Bridging Basic and Clinical Science		USD	6,471
93.395	National Institutes of Health	Cancer Treatment Research	1 R15 CA121980-01	SDSU	72,863
93.395	National Institutes of Health	Cancer Treatment Research	1 R15 CA120062-01	SDSU	73,603
93.396	National Institutes of Health	Cancer Biology Research - Translational control of p27 in breast cancer cells		USD	175,403
93.398	National Institutes of Health	Cancer Research Manpower - Growth Inhibition Induced by Mifepristone in Ovarian Cancer		USD	79,215
93.837	National Institutes of Health	Heart and Vascular Diseases Research - Sustained blood pressure reduction after drug withdrawal		USD	8,451
93.837	National Institutes of Health	Heart and Vascular Diseases Research - The COP9 Signalosome in the Heart		USD	398,783
93.837	National Institutes of Health	Heart and Vascular Diseases Research - Molecular pathogenesis of protein surplus cardiomyopathy		USD	274,115
93.846	National Institutes of Health	Arthritis, Muscoloskeletal and Skin Diseases Research	R01 AR47852	SDSU	1,406

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Research and Development Cluster (continued)					
93.846	National Institutes of Health	Arthritis, Muscoloskeletal and Skin Diseases Research - Membrane Proteins and Mycoplasma Arthritis		USD	68,749
93.853	National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders - Neuronal Pathways Underlying In Vitro Motor Learning		USD	239,187
93.853	National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders - Mechanisms of motor recovery after subtotal brain injury		USD	353,456
93.853	National Institutes of Health	Extramural Research Programs in the Neurosciences and Neurological Disorders - Signaling mechanisms in oligodendrocytes		USD	2,667
93.855	National Institutes of Health	Allergy, Immunology and Transplantation Research-Germinal Center Function in Prion Disease	1 R15 AI070339-01	SDSU	55,647
93.855	National Institutes of Health	Allergy, Immunology and Transplantation Research-Germinal Center Function in Prion Disease	1R03AI068766-01A1	SDSU	14,054
93.855	National Institutes of Health	Allergy, Immunology and Transplantation Research-Germinal Center Function in Prion Disease	1 R15 AI072757-01	SDSU	126,637
93.855	National Institutes of Health	Allergy, Immunology and Transplantation Research-Germinal Center Function in Prion Disease	1R21AI071788-01A2	SDSU	60,573
93.856	National Institutes of Health	Microbiology and Infectious Diseases Research - Small RNA regulators of the B. anthracis plasmid pxO1		USD	110,558
93.856	Colorado State University - flow through	Microbiology and Infectious Diseases Research	G-4733-11	SDSU	129,091
93.856	National Institutes of Health	Microbiology and Infectious Diseases Research	7 R03 A62944-02	SDSU	36,536
93.856	National Institutes of Health	Microbiology and Infectious Diseases Research - Regulation of Streptococcus pyogenes exoproteins		USD	143,349
93.856	National Institutes of Health	Microbiology and Infectious Diseases Research	1 R15 A59216-01	SDSU	14,575

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Research and Development Cluster (continued)					
93.859	University of Minnesota - flow through	Biomedical Research and Research Training - Interaction and Structure of pCF10 Qa and Qs RNAs		USD	60,234
93.859	National Institutes of Health	Biomedical Research and Research Training - Study of stability genes of E. Faecalis Plasmid pAD1		USD	120,757
93.865	National Institutes of Health	Child Health and Human Development Extramural Research		USD	980,981
93.887	Health Resources and Services Administration	Health Care and Other Facilities - Med School Renovation Equipment (Senate ear-marked grant)		USD	15,005
93.887	Health Resources and Services Administration	Health Care and Other Facilities - Graduate Education & Applied Research (GEAR) Center Construction Project		USD	2,468,829
93.887	Health Resources and Services Administration	Health Care and Other Facilities - Renovation of Health Care Facilities for research		USD	389,226
93.956	Colorado State University - flow through	Agricultural Health and Safety Programs		SDSU	2,144
Total Research and Development Cluster					**41,926,063**
Schools and Roads Cluster					
10.665	Forest Service	Schools and Roads - Grants to States		State Auditor	3,829,976
Total Schools and Roads Cluster					**3,829,976**
Section 8 Project-Based Cluster					
14.182	Housing	Section 8 New Construction and Substantial Rehabilitation		Housing Development Authority	23,399,124
Total Section 8 Project-Based Cluster					**23,399,124**
Small Business Administration					
59.037	Small Business Administration	Small Business Development Center		USD	506,869

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Small Business Administration (continued)					
59.SBAHQ-03-10043	Small Business Administration	Special Initiative - Program Code 7009 - Public Law 108-7, Section 625 - "Center for Tourism Research"	SBAHQ-03-10043	BHSU	164,488
59.UNKNOWN	West River Foundation for Economic and Commercial Development - flow through	Skillman WRFECD SBA Tech Transfer	WRF-07-1	SDSMT	247
Total Small Business Administration					**671,604**
Social Security Administration					
96.008	Social Security Administration	Social Security - Work Incentives Planning and Assistance Program		Human Services	100,892
Total Social Security Administration					**100,892**
Special Education Cluster					
84.027	Office of Special Education and Rehabilitative Services	Special Education - Grants to States		Education	28,670,032
84.173	Office of Special Education and Rehabilitative Services	Special Education - Preschool Grants		Education	1,488,275
Total Special Education Cluster					**30,158,307**
Student Financial Aid Cluster					
84.007	Federal Student Aid	Federal Supplemental Educational Opportunity Grants (SEOG)		BHSU/DSU/NSU/SDSMT/ SDSU/USD	1,544,942
84.032	Federal Student Aid	Federal Family Education Loans (Note 3H)		BHSU/DSU/NSU/SDSMT/ SDSU/USD	125,109,874
84.033	Federal Student Aid	Federal Work-Study Program		BHSU/DSU/NSU/SDSMT/ SDSU/USD	2,350,398
84.038	Federal Student Aid	Federal Perkins Loans - Federal Capital Contributions (Notes 3E & 3G)		BHSU/DSU/NSU/SDSMT/ SDSU/USD	30,091,466
84.063	Federal Student Aid	Federal Pell Grant Program		BHSU/DSU/NSU/SDSMT/ SDSU/USD	20,080,691
93.342	Health Resources and Services Administration	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (Note 3G)		SDSU/USD	5,667,968

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Student Financial Aid Cluster (continued)					
93.364	Health Resources and Services Administration	Nursing Student Loans (Note 3G)		SDSU/USD	1,966,157
93.925	Health Resources and Services Administration	Scholarships for Health Professions Students from Disadvantaged Backgrounds		USD	146,322
Total Student Financial Aid Cluster					**186,957,818**
Transportation					
20.106	Federal Aviation Administration - flow through	Airport Improvement Program (Note 3K)	0510692	Transportation	27,379,707
20.200	Federal Highway Administration	Highway Research and Development Program-Clarus	DTFH61-07-H-00012	Transportation	108,229
20.218	Federal Motor Carrier Safety Administration	National Motor Carrier Safety (MCSAP)		Public Safety	597,378
20.219	Federal Highway	Recreational Trails Program		Game, Fish & Parks	939,015
20.237	Federal Motor Carrier Safety Administration	Safety Data Improvement Program	IT064601G00000	Transportation	1,470,191
20.505	Federal Transit Administration	Federal Transit - Metropolitan Planning Grants		Transportation	168,941
20.509	Federal Transit Administration	Formula Grants for Other Than Urbanized Areas		Transportation	4,790,280
20.513	Federal Transit Administration - flow through	Capital Assistance Program for Elderly Persons and Persons with Disabilities		Transportation	394,222
20.514	Federal Transit Administration	Public Transportation Research		Transportation	500
20.515	Federal Transit Administration	State Planning and Research	DTPH56-05-H0007	SDSU	138,056
20.608	National Highway Traffic Safety Administration	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		Public Safety	3,327,091
20.612	National Highway Traffic Safety Administration	Incentive Grant Program to Increase Motorcyclist Safety		Public Safety	48,155
20.700	Pipeline and Hazardous Materials Safety Administration	Pipeline Safety		Public Utilities Commission	67,716
20.703	Pipeline and Hazardous Materials Safety Administration	Interagency Hazardous Materials Public Sector Training and Planning Grants		Public Safety	166,617
20.DTNH22-92-Y-07045	National Highway Traffic Safety Administration	State Support of the Fatal Accident Reporting System (FARS)	DTNH22-92-Y-07045	Public Safety	27,046

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Transportation (continued)					
20.UNKNOWN	National Railroad Passenger Corporation - Amtrak - flow through	Taxpayer Relief Act of 1997, Public Law 105-34, money to non-Amtrak states (Note 3M)		Transportation	2,988,594
Total Transportation					**42,611,738**
Treasury					
21.008	Internal Revenue Service	Low-Income Taxpayer Clinics		USD	27,610
Total Treasury					**27,610**
TRIO Cluster					
84.042	Office of the Assistant Secretary for Postsecondary Education	TRIO-Student Support Services		BHSU/NSU/SDSU/USD	1,007,140
84.044	Office of the Assistant Secretary for Postsecondary Education	TRIO-Talent Search		USD	405,411
84.047	Office of the Assistant Secretary for Postsecondary Education	TRIO-Upward Bound		BHSU/NSU/SDSU/USD	1,503,834
Total TRIO Cluster					**2,916,385**
Veterans Affairs					
64.010	Veterans Health Administration	Veteran Nursing Home Care		USD	317,375
64.014	Veterans Health Administration	Veterans State Domiciliary Care (Note 3D)		State Veterans Home	649,257
64.015	Veterans Health Administration	Veterans State Nursing Home Care (Note 3D)		State Veterans Home	927,331
64.125	Veterans Benefits Administration	Vocational and Educational Counseling for Service Members and Veterans		Military & Veterans	174,496
64.UNKNOWN	Veterans Health Administration	Veterans Administration Reporting		BHSU/Military & Veterans Affairs	466
Total Veterans Affairs					**2,068,925**

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
Schedule of Expenditures of Federal Awards by Federal Department
For the Fiscal Year Ended June 30, 2008

CFDA Number	Federal Agency	Program	Contract Number	State Agency	Expenditures/ Disbursements/ Issuances
WIA Cluster					
17.258	Employment and Training Administration	Workforce Investment Act Adult Program		Labor	2,317,909
17.259	Employment and Training Administration	Workforce Investment Act Youth Activities		Labor	2,145,450
17.260	Employment and Training Administration	Workforce Investment Act Dislocated Workers		Labor	693,017
Total WIA Cluster					**5,156,376**
GRAND TOTAL:					**1,807,844,711**

LEGEND

BHSU = Black Hills State University
DSU = Dakota State University
NSU = Northern State University
SDSMT = South Dakota School of Mines and Technology
SDSU = South Dakota State University
USD = University of South Dakota

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

STATE OF SOUTH DAKOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2008

NOTE 1: Purpose of the Schedule

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments*, *and Non-Profit Organizations,* requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA). Significant federal financial assistance programs which have not been assigned a CFDA number have also been identified.

NOTE 2: Significant Accounting Policies

A. Reporting Entity - The accompanying schedule includes all federal financial assistance programs administered by the State of South Dakota for the fiscal year ended June 30, 2008.

B. Basis of Presentation - The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

1. **Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-monetary federal assistance, including food stamps and food commodities, is included in federal financial assistance and, therefore, is reported on the schedule of expenditures of federal awards. Federal financial assistance does not include direct federal cash assistance to individuals.

2. **Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the levels of expenditures or expenses to be used in defining Type A and Type B federal financial assistance programs. Type A programs for the State of South Dakota are those which equal or exceeded $3,750,000 in expenditures / disbursements / issuances for the fiscal year ended June 30, 2008. Type B programs for the State of South Dakota are those which are less than $3,750,000 in expenditures / disbursements / issuances for the fiscal year ended June 30, 2008.

C. Basis of Accounting - The information presented in the Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting, which is consistent with the other federal grant reports. South Dakota's basic financial statements are reported on the accrual basis of accounting and, therefore, the schedule's data may not be directly traceable to the basic financial statements.

D. Expenditures and Expenses - When monies are received by one state grantee agency and redistributed (expended) to another state grantee agency (i.e. a pass-through of funds by the primary recipient state grantee agency to a sub-recipient state grantee agency), the federal financial assistance is reflected in the primary receiving/expending state grantee agency's accounts. This is to avoid duplication and the overstatement of the aggregate level of federal financial assistance expended by the State of South Dakota.

NOTE 3: Other

A. Commodities administered through distributing agencies totaling $3,703,027 are included in the definition of expenditures of federal awards for the purpose of the accompanying schedule. Commodities are valued at the last purchase price.

B. All federal expenditures/disbursements/issuances included in the accompanying schedule are assistance received directly from federal government or indirectly through entities from outside the State of South Dakota.

C. As of June 30, 2008, donated federal surplus property (CFDA # 39.003) reported on the accompanying schedule totaled $1,751,909, which represents 23.3% of the original acquisition cost of the federal surplus property received by the State. This percentage approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

D. The amounts reported as federal expenditures represent cash received. Federal reimbursements are based on approved rates for services provided, rather than reimbursement for specific expenditures.

E. Perkins/National Defense/Direct Student Loan and Loan Cancellation amounts include federal, state, and program revenues. The exact portion associated with federal dollars cannot be readily determined.

F. Food stamps issued to individuals, totaling $75,863,122, were included in the definition of federal financial assistance for the purpose of the accompanying schedule.

G. Federally funded loan programs had the following current fiscal year disbursement and outstanding loan balances at year end:

CFDA Number	Grant Program	Current Year Administrative Expense	Current Year Loan Disbursement	Outstanding Loan Balance June 30, 2008
66.458	Clean Water State Revolving Fund*	$173,570	$14,685,865	$157,968,096
66.468	Drinking Water State Revolving Fund*	614,789	13,994,779	112,474,287
14.239	Home Investment Partnerships Program	340,398	4,204,236	42,244,385
84.038	Perkins Loans Funds	161,214	5,219,112	29,930,252
93.264	Nurse Faculty Loan Program		20,344	72,175
93.342	Health Professions Student Loans/Loans For Disadvantaged Students		1,212,517	5,667,968
93.364	Nursing Student Loans		635,100	1,966,157

* 83.333% of the loans receivable balance is federal funds.

H. Loans guaranteed under federal guarantee loan programs (CFDA # 84.032) and issued to parents of eligible students or eligible students attending state universities had the following values:

Stafford Loans	$61,032,877
Unsubsidized Stafford Loans	53,574,211
PLUS Program Loans	10,502,786

A private non-profit corporation acts as the guarantee agency in the State of South Dakota.

I. The Governor's Office of Economic Development, through the Economic Development Finance Authority (EDFA), participates in the Agricultural Processing and Export (APEX) Loan Program with funds obtained from the Rural Development Intermediary Relending Program (RDIRP). The EDFA has entered into loan agreements with the RDIRP in the amount of $5,000,000. The EDFA makes loans to small businesses and draws down federal funds from the loan with the RDIRP to cover 70% of the loans made to small businesses. As of June 30, 2008 EDFA had $2,800,279 in outstanding loans.

J. During the fiscal year ended June 30, 2008 the South Dakota Department of Health received $4,825,244 in cash rebates from infant formula manufacturers on sales of formula to participants in the WIC Program (CFDA #10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The rebate contract allowed the Department to serve 8,191 more persons during fiscal year 2008.

K. The South Dakota Department of Transportation acts as an agent for the various Airport Improvement Program grants (CFDA #20.106) funded through the Federal Aviation Administration. The grants are between the Federal Aviation Administration and cities, counties and airport authorities, with the South Dakota Department of Transportation's duties primarily being the processing of requests for reimbursement and the payment of contractor estimates on the smaller projects. Total reimbursements processed in fiscal year 2008 were $27,379,707. These monies are reflected as expenditures of federal awards of the State of South Dakota.

L. The amount included as of June 30, 2008, on the unemployment section of the schedule of expenditures of federal awards (CFDA #17.225) includes the amount of federal unemployment insurance; the amount of the State's expenditure for unemployment insurance benefits; and the amount of administrative expense as required by the US Department of Labor and the Inspector General. The amounts are $1,747,265, $21,093,780, and $6,081,454 respectively.

M. On March 20, 1998, The National Railroad Passenger Corporation (Amtrak) received the first installment of funds under the Taxpayer Relief Act of 1997, Public Law No. 105-34, (Act). According to Section 977(c) of the Act, Amtrak had to provide one percent, or $11,615,000 to each non-Amtrak state which included the State of South Dakota. A second payment of $11,615,000 was also received by the State of South Dakota. Section 977(c)(2) of the Act required the funds and interest earned thereon to be used solely to finance qualified expenses. Section 977(e)(1)(B) defined the qualified expenses. During FY2008, $2,988,594 was expended from these funds. Since no CFDA Number has been assigned to this money, these expenditures were reported under CFDA Number 20.UNKNOWN.

N. The South Dakota Department of Agriculture, through the South Dakota Value Added Finance Authority, (VAFA) participates in the United States Department of Agriculture Rural Business Cooperative Service (RBCS) Intermediary Relending Program (IRP). In FY2002, the VAFA entered into a loan agreement with the RBCS in the amount of $750,000. The VAFA makes loans to new or existing businesses involved in processing or marketing an agricultural commodity up to 50% of the total project costs and draws down federal funds from the loan with RBCS covering 75% of the loan made to the business. Upon drawing down the entire $750,000, the VAFA applied and was awarded another $750,000 loan in FY2005 with RCBS covering 90% of the loan made to the business. As of June 30, 2008, VAFA had drawn down $1,315,830.00 of RBCS loan funds and had disbursed $1,304,529.50 of these RBCS funds. Total value of loans issued to date as of June 30, 2008 was $1,598,900 with total remaining loans outstanding as of June 30, 2008 equaling $894,851.

O. Department of Energy (DOE) programs were funded in part by Petroleum Violation Escrow (PVE) funds. These expenditures are not included in the Schedule of Expenditures of Federal Awards. PVE funds represent the State of South Dakota's share of settlement proceeds in various lawsuits between the Federal Government and oil producers. During FY08, the South Dakota Department of Tourism and State Development expended $4,256,452.49 from the trust fund in support of DOE programs.

P. The amount of expenditures reported for the Child Support Enforcement program (CFDA #93.563) was not reduced by the $2,509,763 federal share of prior quarters' Title IV-A collections retained to fund the Child Support Enforcement program during the fiscal year.

SouthDakota
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AUDITOR'S REPORTS ON INTERNAL CONTROL AND COMPLIANCE

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable M. Michael Rounds
Governor of South Dakota

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Dakota as of and for the fiscal year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents and have issued our report thereon dated June 12, 2009. 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. Our report was modified to include reference to other auditors. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

Government-wide Financial Statements

- The Unemployment Insurance enterprise fund which represents 4.8% of assets and 12.0% of revenues of the business-type activities.

- The Housing Authority and certain foundations of Higher Education that, in aggregate represent 76.9% of assets and 26.2% of revenues of the discretely presented component units.

Fund Financial Statements

- The Unemployment Insurance enterprise fund, which represents 17.4% of assets and 45.1% of revenues of the non-major enterprise funds.

- The South Dakota Retirement System which represents 96.2% of assets, 97.3% of net assets and 98.0% of the net increase (decrease) in net assets of the fiduciary funds.

This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of South Dakota's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting. Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in the accompanying schedule of prior and current audit findings and questioned costs as finding numbers 01001200801, 04001200801, 04001200802, 04600200801, 10000200801, 11000200802, 11000200803, 15000200801, and 40014200801 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 01001200801, 11000200802, 15000200801, and 40014200801 to be material weaknesses.

Compliance and Other Matters

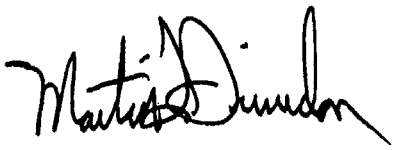
As part of obtaining reasonable assurance about whether the State of South Dakota's financial statements are free of material misstatement, we and the other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our and the other auditors' tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We also noted certain additional matters that were reported on various dates in separately issued letters to the management of the various departments, bureaus, boards, commissions, offices and institutions of the State of South Dakota.

The State of South Dakota's responses to the findings identified in our audit are described in the accompanying schedule of prior and current audit findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the state's management, members of the South Dakota Legislature, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

June 12, 2009

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable M. Michael Rounds
Governor of South Dakota

Members of the Legislature
State of South Dakota

Compliance

We have audited the compliance of the State of South Dakota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The State of South Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of prior and current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of South Dakota's management. Our responsibility is to express an opinion on the State of South Dakota's compliance based on our audit. We did not audit the State of South Dakota's compliance with the requirements of the U.S. Department of Housing and Urban Development's HOME Investment Partnerships Program (CFDA Number 14.239) and the U.S. Department of Labor's Unemployment Insurance Program (CFDA Number 17.225). These programs, which account for four percent of the total of federal assistance received by the State of South Dakota, are included in the accompanying schedule of federal assistance. Other auditors have audited the State of South Dakota's compliance with these programs' requirements and their reports thereon have been furnished to us. Our opinion, insofar as it relates to these programs, is based solely on the reports of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of South Dakota's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit and the reports of the

other auditors provide a reasonable basis for our opinion. Our opinion does not provide a legal determination on the State of South Dakota's compliance with those requirements.

In our opinion, the State of South Dakota complied in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of prior and current audit findings and questioned costs as finding numbers 06000200801, 11000200801, and 19000200802.

Internal Control Over Compliance

The management of the State of South Dakota is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of South Dakota's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of South Dakota's internal control over compliance.

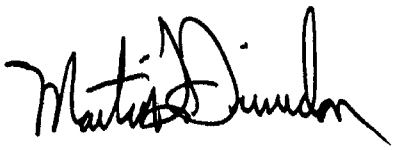
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State of South Dakota's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect compliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies in internal control over compliance described in the accompanying schedule of prior and current audit findings and questioned costs as finding numbers 04001200803, 08000200801, 11000200801, and 19000200801 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider finding number 19000200801 to be a material weakness.

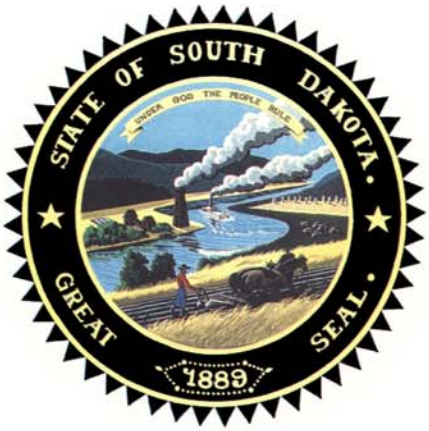
The State of South's Dakota's responses to the findings identified in our audit are described in the accompanying schedule of prior and current audit findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the state's management, members of the South Dakota Legislature, federal awarding agencies and pass-through entities and is not and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

June 12, 2009



FINDINGS, QUESTIONED COSTS AND CORRECTIVE ACTION PLANS

State of South Dakota
Schedule of Prior and Current Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2008

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	Yes

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
12.UNKNOWN	Title VI – Missouri River Implementation
14.228	Community Development Block Grant
14.239	Home Investment in Affordable Housing
14.251	Economic Development Initiative – Special Projects, Neighborhood Initiative and Miscellaneous Grants
17.225	Unemployment Insurance
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.126	Rehabilitation Services – Basic Support
93.563	Child Support Enforcement

93.658	Foster Care – Title IV-E
93.767	Children's Health Insurance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
CNC	Child Nutrition Cluster
Medicaid	Medicaid Cluster
SFA	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs - $3,750,000

Auditee Qualified as low-risk auditee? No

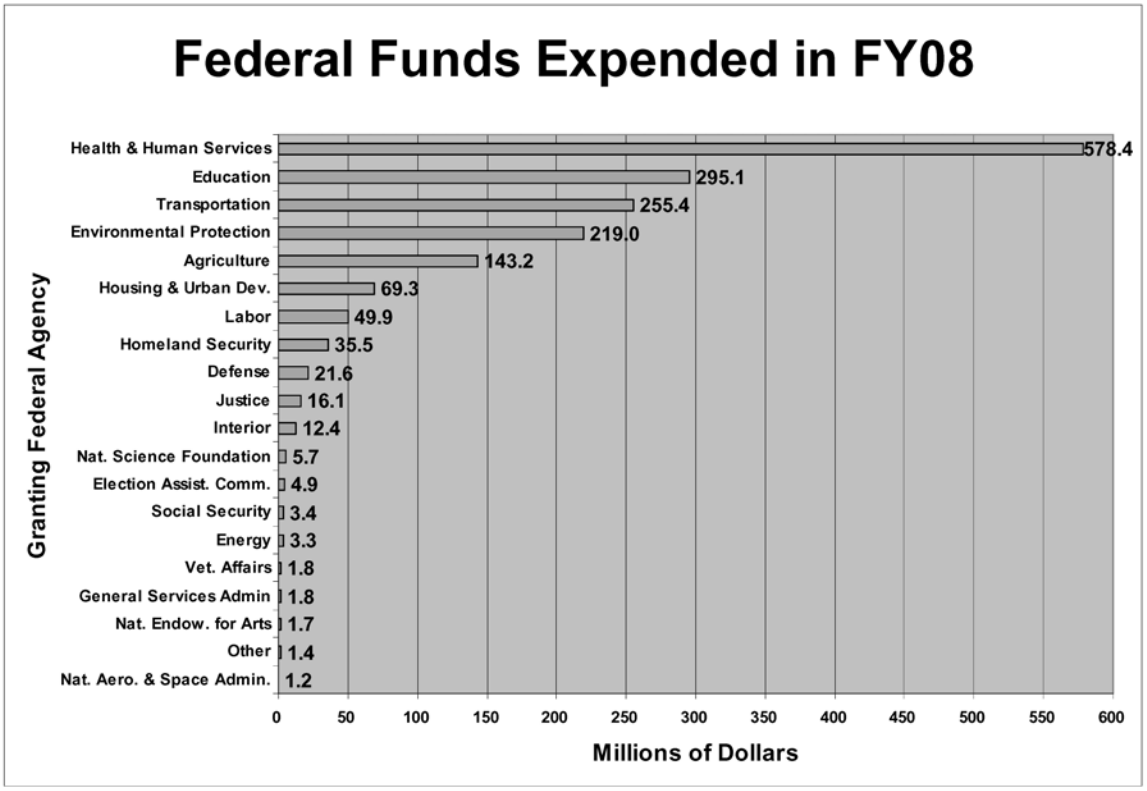
Post - Audit Authority

The Single Audit of the State of South Dakota was conducted by the Department of Legislative Audit pursuant to South Dakota Codified Laws (SDCL) 4-11-2, the Single Audit Act Amendments of 1996 and the Office of Management and Budget, Circular A-133. A single audit encompasses the operations of the entire reporting entity. It includes an audit of the financial statements and reports on internal control and compliance with state and federal laws and regulations.

Audit Scope

The State of South Dakota's entire reporting entity is included in the populations which are subjected to our audit procedures and testing. State and federal programs are tested for compliance with applicable laws, rules and regulations.

Various federal departments provide financial assistance to the State of South Dakota. These funds were expended during FY 2008 as depicted in the following graph.



Based on a mandated risk based approach prescribed in OMB Circular A-133, all individual federal programs in excess of $300,000 have a risk assessment performed on them annually. Any federal program in excess of $3,750,000 must be included within the audit scope at least once every three years regardless of the level of risk associated with the program. Any federal program identified by a federal department as being a high risk program must also be included within the audit scope. Based on these risk assessments and requirements, federal programs are selected to be included within the audit scope. For FY 2008, those federal programs identified as major federal programs in the summary provided above were included within the FY 2008 audit scope and were tested for compliance with federal laws, rules and regulations. Those federal programs make up approximately 58.9% of all federal funds expended by the state. Any State funding used to provide the required matching requirements of federal programs was also included within the scope of the testing. For example, for federal fiscal year 2008, Medicaid was funded with 60.03% federal dollars and 39.97% State dollars.

In addition to the audit testing over major federal programs, testing was also performed on State funds. The testing was performed by the Department of Legislative Audit and certified public accounting firms based upon: 1) state or federal laws requiring separately issued audit reports for certain funds or entities; 2) state match funding for federal programs tested; and, 3) the significance of and the perceived audit risk associated with State funds and accounts.

Separately issued annual financial and compliance audits include the following funds/entities:

- Revolving Economic Development Loan Program Fund;
- Clean Water State Revolving Fund;
- Drinking Water State Revolving Fund;

- State Lottery Operating Fund;
- Cement Plant Retirement Fund;
- Unemployment Insurance Fund
- South Dakota Building Authority;
- Housing Development Authority;
- Finance Authority;
- South Dakota Science and Technology Authority;
- Education Enhancement Funding Corporation;
- South Dakota Retirement System;
- Portfolios managed by the South Dakota Investment Council, including;
    - Cash Flow Portfolio;
    - Dakota Cement Trust Portfolio;
    - Education Enhancement Trust portfolio;
    - Health Care Trust Portfolio;
    - School and Public Lands Portfolio;
    - Cement Plant Retirement System Portfolio; and,

The significant areas identified and included in the testing of the financial statements were as follows:

Primary Government:

- Central payroll process;
- Central expenditure approval process;
- Department of Revenue and Regulation tax collections including: sales and use, contractors' excise, cigarette, prorate, motor vehicle, motor fuel, Remittance Center and Subsequent Injury Fund;
- Commission on Gaming devise fees;
- Selected internal service fund balances and activity for the Self-Insurance Fund and Bureau of Information and Telecommunications;
- State aid to education disbursements;
- Infrastructure assets maintained by the Department of Transportation;
- Central fixed asset system; and,
- Year-end accrual entries.

Component Unit:

- Higher Education, including balances and activity relating to tuition and fees, sales and services, payroll, disbursements, capital assets, bonds payable, compensated absences payable, and cash. Affiliated organizations required to be reported in accordance with Governmental Accounting Standards were audited by other auditors.

Audit Results

Six current written federal compliance audit findings were reported and $193,380.33 was identified as questioned costs relating to major federal programs. Questioned costs are costs that are questioned because they are in violation of federal law; are not properly supported by adequate documentation; or, are unreasonable or unnecessary. The federal government will determine the final resolution of questioned costs.

Seventeen current written audit findings were reported involving financial statement reporting issues. For specifics on each written audit finding, please refer to the Schedule of Prior and Current Audit Findings and Questioned Costs.

Five current written audit findings were reported involving State funds. For specifics on each written audit finding, please refer to the Schedule of Prior and Current Audit Findings and Questioned Costs.

The Government Operations and Audit Committee of the South Dakota Legislature reviews the State's Single Audit Report and all separately issued audit reports involving the State of South Dakota reporting entity. The main audit related purposes of the committee are to review audit reports generated by the Department of Legislative Audit and investigate any area of concern of the committee.

PRIOR AUDIT FINDING

Financial Statement Audit Finding:

Finding No. 01001200701:

Controls were not adequate to ensure the accuracy of amounts reported in the State's financial statements including the identification and correction of reporting errors and omissions.

Auditee's Corrective Action Plan:

See Current Audit Finding No. 01001200801.

CURRENT AUDIT FINDING AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 01001200801:

Controls were not adequate to ensure the accuracy of amounts reported in the State's financial statements including the identification and correction of reporting errors and omissions.

Analysis:

In order for the State to compile the needed information for the State's financial statements, including the notes to the financial statements and the Schedule of Expenditures of Federal Awards, the Bureau of Finance and Management (BFM) issued a policies and procedures manual that the various agencies within State government used while preparing year-end entries and disclosures. These policies and procedures were not intended to be agency specific and did not identify unique reporting considerations of the different agencies. In almost all instances, agencies did not have adequate written policies and procedures to identify how they were to apply the broad BFM policies to their specific agency. In addition, many individuals responsible for the preparation of the year-end entries lacked adequate training, expertise or supervisor oversight. As a result, many year-end entries completed by the agencies had material reporting errors and omissions. After the year-end entries were completed by the agencies, the BFM began implementing controls to identify and remedy material reporting errors and omissions. The BFM also added an Accounting Analysis and Financial Reporting Division responsible for implementing and overseeing these controls. During FY08, progress was made to implement controls, however they were not adequate to fully identify and remedy all of the material errors and omissions.

A significant number of material adjustments were identified and proposed by us. The BFM posted these adjusting entries to the accounting records as recommended by us

during the audit. Based on the testing performed, we identified material and/or significant errors and omissions in financial information from the following agencies: Bureau of Finance and Management, Department of Tourism and State Development, Department of Education, Department of Human Services, South Dakota Lottery, Department of Revenue and Regulation, State Auditor's Office, Attorney General's Office, Department of Environment and Natural Resources, Department of Corrections, Department of Social Services, Department of Transportation, Legislative Research Council, Public Utilities Commission, State Treasurer's Office, and Department of Game, Fish and Parks.

Our audit identified significant deficiencies over financial reporting or material adjustments for the following areas:

- Capital assets,
- Asset and liability classification,
- Proper recognition of liabilities and expenses,
- Proper recognition of receivables, deferred revenue and revenue,
- Transfers,
- Proper inclusion of separately issued audited financial statement for funds of the State,
- Negative cash eliminations,
- Reversal of prior year accrual entries,
- Prior period adjustments,
- Equity reservations and restrictions

A system of internal control over financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements. For fiscal year 2008, we performed certain non-audit services allowed under *Government Auditing Standards* including the drafting of the State's financial statements, and notes to the financial statements. An organization's internal control process for financial reporting should include its identification, analysis and management of risks relevant to the preparation of financial statements that are fairly presented in accordance with generally accepted accounting principles. The Accounting Analysis and Financial Reporting Division is responsible for implementing and overseeing these controls. During FY08, progress was made to implement controls, however they were not adequate to prevent or detect errors in the financial statements and notes to the financial statements.

Because the various agencies of the State did not have adequate controls to ensure the accuracy of amounts reported in the financial statements and notes to the financial statements and the BFM did not have adequate internal controls in place to identify and correct material misstatements, there existed an increased exposure to inaccurate financial reporting.

RECOMMENDATIONS:

1. We recommend the BFM work with each agency to further develop specific written policies and procedures to follow while preparing their year-end financial statement entries.

2. We recommend the BFM continue to implement written internal control procedures to identify and correct reporting errors and omissions and ensure the accuracy of amounts reported in the financial statements.

3. We recommend the BFM work towards preparing all sections of their financial statements, including the notes to the financial statements.

Auditee's Corrective Action Plan:

BFM added an Accounting Analysis and Financial Reporting Division in fiscal year 2009. As noted in the finding, much progress was made in implementing financial reporting controls from the previous fiscal year. After initial training of the new staff, this Division began developing, documenting and implementing enhanced financial reporting controls, gathering and compiling financial data from the state agencies, preparing the State's Fiscal Year 2008 Comprehensive Annual Financial Report (CAFR) and working with the various state agencies to strengthen agency specific controls. During this process, many new controls were implemented to identify and remedy material reporting errors and omissions. We acknowledge that further improvements are necessary, but we are confident this progress will continue as this Division and the state agencies become more experienced and better trained.

BFM will continue to develop, document, and implement controls to identify and correct agency reporting errors and omissions and will work with agencies to further develop agencies specific accounting and financial reporting policies and procedures. Additionally, BFM will continue working towards preparing all sections of the financial statements. However, BFM may need some continued assistance from the Department of Legislative Audit in providing some agreed upon non-audit services.

BUREAU OF ADMINISTRATION

PRIOR AUDIT FINDING

Financial Statement Audit Finding:

Finding No. 01200200701:

Internal controls over capital assets were inadequate.

Auditee's Corrective Action Plan:

Recommendation was implemented.

CURRENT AUDIT FINDING AND RECOMMENDATION

State Audit Finding:

Finding No. 01200200801:

Controls were not in place to ensure required advertising of bid lettings was performed.

Analysis:

South Dakota Codified Law (SDCL) 5-23-10 states:

> A brief notice of scheduled lettings shall be published in at least two consecutive issues of one legal daily newspaper published in the western half of the state and in at least two consecutive issues of one legal daily newspaper published in the eastern half of the state. Such notices shall also state that blank schedules and specifications in detail for bids may be obtained from the Bureau of Administration.

During fiscal year 2008, the Office of Procurement Management did not have adequate controls to ensure that all bid lettings released were advertised in accordance with SDCL 5-23-10. Twenty-five bids were tested for compliance with SDCL 5-23-10, of which two were not advertised. This resulted primarily due to the implementation of a new procurement system that lacked procedures to ensure personnel in charge of advertising were aware of all bid lettings.

RECOMMENDATION:

1. We recommend the Office of Procurement Management implement internal control procedures to ensure that all bid lettings are advertised in accordance with applicable codified laws.

Auditee's Corrective Action Plan:

The Bureau of Administration, Office of Procurement Management has implemented the following procedures to ensure that bid lettings are advertised in accordance with SDCL 5-23-10. The language identified below has been incorporated into the Purchasing Procedures Manual maintained by the Office of Procurement Management, and made available to state agencies for reference.

Process for Advertisement of Scheduled Lettings:

No bid letting required to be advertised pursuant to SDCL 5-23 may be released for bids or proposals until the advertisement has been sent to the required newspapers for publication in accordance with SDCL 5-23-10.

OPM Purchasing Specialists will provide written notification of lettings to be advertised to the OPM staff person responsible for advertising. Purchasing Specialists will be

provided with a copy of the advertising notice after it has been sent to the newspapers as required.

OPM Purchasing Specialists will review the advertising notice to ensure that the letting to be released is included on the listing of lettings in the current advertisement. Once the Purchasing Specialist has confirmed the letting is included in the current advertisement, they are free to distribute the bid documents to interested bidders.

This process will provide for a double check of the advertisement notice by the staff person responsible for advertising, and the Purchasing Specialist responsible for the specific letting, to ensure that public notice is provided as required.

PRIOR AUDIT FINDING

State Audit Finding:

Finding No. 02000200701:

Interest was not charged and collected on bank franchise/bank card taxes from the time the payments were originally due until the time taxes were paid by taxpayers that requested an extension.

Auditee's Corrective Action Plan:

Recommendation was implemented.

CURRENT AUDIT FINDING AND RECOMMENDATIONS

State Audit Finding:

Finding No. 02000200801:

Access rights to Department computer systems were not removed on a timely basis for terminated employees and a former contractor.

Analysis:

Inappropriate users were authorized access to the Department of Revenue and Regulation Business Tax, Motor Vehicles Fees, Motor Fuel Refunds, and Prorate systems. Twenty-eight inappropriate users were noted.

As a result, the Department experienced a greater risk of loss or theft of data, disclosure of confidential data, and loss of assets.

RECOMMENDATIONS:

1. We recommend the Department periodically request their user listings from the Bureau of Information and Telecommunications, review them for inappropriate users, and deactivate users that are no longer appropriate.

2. We recommend the Department periodically send user lists to agencies with access to the Department's systems. The agencies should review their users and report back to the Department whether the users should be deactivated or provide justification of why they are still appropriate.

Auditee's Corrective Action Plan:

The Department of Revenue and Regulation concurs with the audit finding and has implemented additional safeguards to ensure on-going review of user listings from the Bureau of Telecommunications. These lists will be reviewed on a quarterly basis to identify any inappropriate users. The Department will notify the Bureau of Information and Telecommunications of users to be deleted. The Department has also implemented a practice that will have all Department New Employee and Employee Exit form information shared with a central location to provide a check point for computer permissions and timely deactivations of these permissions.

DEPARTMENT OF REVENUE AND REGULATION
REAL ESTATE COMMISSION

The following was issued under a separate audit of the Real Estate Commission by East, Vander Woude, Grant & Co., P.C.

PRIOR AUDIT FINDING

Financial Statement Audit Finding:

Finding No. 02910200601:

A reportable condition was noted for a lack of segregation of duties regarding cash collections.

Auditee's Corrective Action Plan:

Situation mitigated by Commission and State oversight and due to nature of real estate licensing and additional controls over revenue receipts.

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 02910200801:

Auditor drafting of the financial statements and related footnote disclosures.

Analysis:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the Commission's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both at the same time in connection with our audit. This is not unusual for us to do this with an organization of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the Commission's management. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

RECOMMENDATION:

1. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Auditee's Corrective Action Plan:

We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

PRIOR AUDIT FINDINGS

Federal Compliance Audit Findings:

Finding No. 03000200701:

Internal controls were not adequate to ensure that proper verification and documentation of livestock numbers reported by producers was obtained before payments were made.

CFDA Title: Livestock Assistance Grant Program
CFDA Number: 10.000
Federal Award Number:
Federal Award Year: 2007
Federal Agency: United States Department of Agriculture, Farm Services Agency

Auditee's Corrective Action Plan:

No instances were noted in the current audit.

Finding No. 03000200702:

Internal controls were not adequate to ensure that eligible livestock producers did not receive payments in excess of their forage production losses or other related losses suffered as a result of drought in 2006.

CFDA Title: Livestock Assistance Grant Program
CFDA Number: 10.000
Federal Award Number:
Federal Award Year: 2007
Federal Agency: United States Department Of Agriculture, Farm Services Agency

Auditee's Corrective Action Plan:

No instances were noted in the current audit.

State Audit Finding:

Finding No. 03000200703:

The Department did not transfer excess cash resulting from indirect cost reimbursements as required by state law.

Auditee's Corrective Action Plan:

Recommendation was implemented.

DEPARTMENT OF AGRICULTURE

SOYBEAN RESEARCH & PROMOTION COUNCIL

The following was issued under a separate audit of the Soybean Research & Promotion Council by Eide Bailly.

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Findings:

Finding No. 03140200801:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Analysis:

The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Inadequate controls over financial reporting of the Council could result in the likelihood that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

RECOMMENDATION:

1. While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Council and changes in reporting requirements.

Auditee's Corrective Action Plan:

Management and the board of directors will review for propriety the draft financial statements and footnotes prepared by the auditor. Due to the Council's size, we will accept the risk associated with this condition based on cost and other considerations. The cost of any further controls would outweigh the related benefits.

DEPARTMENT OF AGRICULTURE

CORN UTILIZATION COUNCIL

The following was issued under a separate audit of the Corn Utilization Council by Eide Bailly.

PRIOR AUDIT FINDINGS

Financial Statement Audit Finding:

Finding No. 03460200701:

Restated as Finding No. 03460200801.

Finding No. 03460200702:

Restated as Finding No. 03460200802.

Finding No. 03460200703:

Restated as Finding No. 03460200803.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Findings:

Finding No. 03460200801:

There is a lack of segregation of duties within the cash receipts/revenue and expenditure functions. The same individual, who reconciles revenue received to the remittance forms, prepares vouchers to request funds, opens the mail, prepares the deposit, records amounts to the general ledger and reconciles the bank statement. The individual also prepares checks, records disbursements to the general ledger and mails checks.

Analysis:

In order to achieve a high level of internal control, the functions of executing transactions, recording transactions and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Proper segregation of duties helps to minimize the chance of undetected errors or defalcations, since the work of one person serves as a “check” on the work of another.

RECOMMENDATION:

1. Due to the small size of the office, the Council is limited in the options available to them. Under this situation, the most effective control is management and the board's oversight and knowledge of matters relating to the operations of the Council.

Auditee's Corrective Action Plan:

We have evaluated the segregation of duties over the revenue function and over the expenditure function. We believe that the risk related to the lack of segregation of duties is mitigated to a low level by the oversight of our board of directors.

Finding No. 03460200802:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Analysis:

The Council does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Inadequate controls over financial reporting of the Council could result in the likelihood that the Council would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

RECOMMENDATION:

2. While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Council and changes in reporting requirements.

Auditee's Corrective Action Plan:

Management and the board of directors will review for propriety the draft financial statements and footnotes prepared by the auditor. Due to the Council's size, we will accept the risk associated with this condition based on cost and other considerations. The cost of any further controls would outweigh the related benefits.

Finding No. 03460200803:

During the course of our engagement, we identified two significant audit adjustments. The first adjustment was made to accurately reflect accounts payable, which was understated by $69,000. The second significant audit adjustment was to adjust cash by $984,300 for two checks. The first check for $484,300 was voided under board direction. The second check, also under board direction, for $500,000 was held at year end due to the Council waiting for the recipient to fulfill their obligations. Both checks were included on the cash reconciliation as outstanding checks at year end.

Analysis:

Proper controls over financial reporting include the regular reconciliation of accounts and preparation and review of journal entries to the general ledger.

Inadequate controls over financial reporting of the organization could result in the likelihood that the organization would not be able to identify necessary journal entries and post them to the general ledger in a timely fashion.

RECOMMENDATION:

3. While we recognize that the above journal entries appear to be an isolated incident, it is important that you be aware of these adjustments, and we suggest for management to continually be aware of the financial reporting of the Council and the internal controls that impact financial reporting. We also recommend that part of the review procedures by management includes the initials of the reviewer on the reconciliation.

Auditee's Corrective Action Plan:

Management understands the importance of regular reconciliation of general ledger accounts and of the review of these reconciliations to ensure accuracy and completeness. Management will take the necessary steps to modify procedures to include the formal signoff at the review stage of the process.

PRIOR AUDIT FINDING

State Audit Finding:

Finding No. 04001200702:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

See Current Audit Finding No. 04001200801.

CURRENT AUDIT FINDING AND RECOMMENDATION

State Audit Finding:

Finding No. 04001200801:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

Analysis:

During fiscal year 2008, the Department of Tourism and State Development did not have adequate controls to ensure that the financial statements for the Revolving Economic Development and Initiative Fund were prepared accurately. Adjustments were posted by the auditor to the financial statements correcting the errors and omissions noted during the audit. Our audit identified significant adjustments in the following accounts:

- Cash and Cash Equivalents
- Short and Long-Term Loans Receivable
- Investment Income
- Cash Flows From Investing Activities

Because the Department did not have adequate controls to ensure the accuracy of amounts reported on the financial statements, there existed an increased exposure to inaccurate financial reporting.

RECOMMENDATION:

1. We recommend the Department implement internal control procedures to identify and correct reporting errors and omissions and ensure the accuracy of amounts reported in the financial statements.

Auditee's Corrective Action Plan:

As a result of the Revolving Economic Development and Initiative Fund (REDI) accounting system crashing in October 2007, the Governor's Office of Economic Development (GOED) then built a new system in coordination with our accounting firm to address some of the control issues. This system is currently in use.

In addition, and more importantly, GOED was able to purchase in April 2008 a new Financial Accounting System Loan Portfolio System (FAS) to address the lack of "checks and balances" with the loan servicing provider. Prior to FY 2009, the only source documents accounting for the loans in the REDI portfolio were provided to GOED and auditor was by the loan servicing provider's loan portfolio system. Currently, GOED is building the FAS loan portfolio system to track this information and provide a "check" to the information provided by the loan servicing provider. The system is being built using information as of July 1, 2008 and is expected to be completed by December 31, 2008.

Finally, the loan service provider has been notified that they will need to provide a year-end amortization schedule breaking out short-term principal receivable versus long-term principal receivable.

Upon completion of the new FAS system and with the additional information provided by the loan servicing provider, adequate controls will be in place to ensure the accuracy of the amounts reported in the financial statements.

PRIOR AUDIT FINDING

State Audit Finding:

Finding No. 04001200701:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

Auditee's Corrective Action Plan:

See Current Audit Finding No. 04001200802

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

State Audit Finding:

Finding No. 04001200802:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

Analysis:

During fiscal year 2008, the Economic Development Finance Authority (Authority) did not have adequate controls to ensure that the financial statements for the Authority were prepared accurately. Adjustments were posted by the auditor to the financial statements correcting the errors and omissions noted during the audit. Our audit identified significant adjustments in the following accounts:

- Cash and Cash Equivalents
- Loans Receivable
- Due to Other Governments
- Interest Income on Loans
- Investment Income
- Bond Proceeds
- Interest Expense
- Contractual Services

Although adjustments were posted to the financial statements correcting the errors and omissions noted during the audit, auditor involvement was required to determine the adjustments necessary to properly report the financial statements of the Authority. As a result of the Authority not having adequate controls to ensure the accuracy of amounts reported on the financial statements, there existed an increased exposure to inaccurate financial reporting.

RECOMMENDATION:

1. We recommend the Authority implement internal control procedures to identify and correct reporting errors and omissions and ensure the accuracy of amounts reported in the financial statements.

Auditee's Corrective Action Plan:

GOED has contracted a CPA firm to provide accounting services. The accountant and GOED are also developing a monthly process to verify accuracy of financial statements. This should lead to a more reliable, accurate and timely process for year-end accounting.

Federal Compliance Audit Finding:

Finding No. 04001200803:

Controls in place were not adequate to ensure that the information contained in Federal reports was accurate.

CFDA Title: Intermediary Relending Program
CFDA Number: 10.767
Federal Award Number: 47-033-0521498816
Federal Award Year: 2007-2008
Federal Agency: Rural Business & Cooperative Development Service
Type of Finding: Significant Deficiency
Category of Finding: Reporting

Analysis:

During fiscal year 2008, the Economic Development Finance Authority (Authority) did not have adequate controls to ensure that the Schedule of Expenditures of Federal Awards (SEFA) was accurately prepared. Multiple errors were noted by the auditor. The amount of Loans Payable was incorrectly calculated, which is used to calculate Loan Loss Reserve, therefore causing both accounts to be inaccurate. Also the Loans portion of the SEFA was incorrectly calculated and not updated properly. The SEFA was adjusted for the correct amounts.

RECOMMENDATION:

2. We recommend the Authority implement internal control procedures to ensure the accuracy of amounts reported in the Federal reports.

Auditee's Corrective Action Plan:

GOED was able to purchase in April 2008 a new Financial Accounting Loan Portfolio System (FAS) to address the accuracy of accounting for Loan Receivables as well as Loans Payable. Prior to FY2009, the only source documents accounting for the loans in the APEX portfolio were provided to GOED and the auditor was by the loan servicing

provider's system. Currently, GOED is building the FAS loan portfolio system to track this information and provide a "check" to the information provided by the loan servicing provider. The system is being built using information as of July 1, 2008 and is expected to be completed by December 31, 2008.

In addition, GOED has contracted a CPA firm to provide accounting services. The accountant and GOED are also developing a monthly process to verify accuracy of financial statements. This should lead to a more reliable, accurate and timely process for year-end accounting.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Audit Findings:

The prior audit report contained no written federal audit findings.

Prior Other Audit Findings:

Finding No. 04600200701:

Internal controls over financial reporting were not adequate. This finding has been corrected.

Finding No. 04600200702:

Capital asset records were not adequate. This finding has not been corrected and is restated as current other audit findings as finding No. 04600200801.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Finding:

Finding No. 04600200801:

Capital asset records were not adequate. This is the second consecutive audit to have a similar finding.

Analysis:

Deficiencies noted in the capital asset records maintained by the Authority were:

a. A detailed listing of land, buildings and furniture and equipment was not maintained.

b. Assets were grouped together that, if considered separately, would be under the capitalization threshold and not reportable as capital assets.

c. Items that should be separated into appropriate subsystems such as electrical substations and lines, hoists, motors, etc. were included in the amounts reported as the underground asset and as land or buildings.

d. Useful lives assigned to certain assets resulted in the assets being fully depreciated even though they were still in service. Accounting principles dictate that assets still in service cannot be treated as fully depreciated.

The above deficiencies resulted in diminished control over capital assets and an increased exposure to inaccurate financial reporting.

RECOMMENDATIONS:

1. We recommend detailed asset records be established that include a description of the asset such as a legal description for land and buildings or serial numbers for equipment along with their associated cost and related depreciation.

2. We recommend that only assets meeting the capitalization threshold be reported and that subsystems, such as electrical lines, be grouped together.

3. We recommend that items included in the underground asset representing depreciable assets be separated and depreciated.

4. We recommend that useful lives of assets be set long enough so that an asset is not fully depreciated while still in service. Useful lives should be reviewed periodically and adjusted if necessary, including appropriate adjustment to the accounting records.

Auditee's Corrective Action Plan:

We agree with your finding 04600200801. A Chief Financial Officer was hired as of September 2008 and is addressing these issues for the FY09 audit.

CURRENT AUDIT FINDING AND RECOMMENDATION

Federal Compliance Audit Finding:

Finding No. 06000200801:

The Department of Game, Fish & Parks did not prepare and submit a financial report for Federal Fiscal Year 2008 for the Title VI – Missouri River Implementation grant resulting in non-compliance with federal financial reporting provisions.

CFDA Title: Title VI – Missouri River Implementation
CFDA Number: 12.UNKNOWN
Federal Award Number: W9128F-07-1-0001 & W9128F-07-1-0005
Federal Award Year: 2008
Federal Agency: Department of Defense, US Army, Corps of Engineers
Type of Finding: Noncompliance
Category of Finding: Reporting

Analysis:

Grant Agreements for the Grant Numbers W918F-07-1-0001 and W9128F-07-1-0005 state:

> The Grantee shall provide the Corps an annual accounting of monies received, obligated and spent for the purposes authorized by the agreement.

The Department of Game, Fish and Parks did not submit a financial report to the Corps for Federal Fiscal Year 2008. As a result, the Department was exposed to possible statutory sanctions for this non-compliance.

RECOMMENDATION:

1. We recommend the Department of Game, Fish & Parks prepare and submit the required annual federal report.

Auditee's Corrective Action Plan:

The Department planned to prepare and submit the required financial report in conjunction with final expenditures to close out the federal FY2008 grant allocation. The Department has prepared and submitted the required annual federal report and will change policy to submit the report annually and not to coincide with the closing of a grant.

PRIOR AUDIT FINDINGS

Federal Compliance Audit Findings:

Finding No. 08000200701:

Payment rates were not updated in accordance with the State Plans for the Medical Assistance Program (Medicaid) and State Children's Health Insurance Program (CHIP). This is the third consecutive audit to contain this finding.

CFDA Title: Medical Assistance Program and State Children's Health Insurance Program
CFDA Number: 93.778 and 93.767
Federal Award Number: 05-0705SD5028 and 05-0705SD5021
Federal Award Year: 2007
Federal Agency: Department of Health and Human Services

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 08000200702:

The Administrative Rules of South Dakota (ARSD) which contain payment rates for Medicaid and CHIP do not agree with payment rates approved in the Medicaid and CHIP State Plans. This is the third consecutive audit to contain this finding.

CFDA Title: Medical Assistance Program and State Children's Health Insurance Program
CFDA Number: 93.778 and 93.767
Federal Award Number: 05-0705SD5028 and 05-0705SD5021
Federal Award Year: 2007
Federal Agency: Department of Health and Human Services

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 08000200703:

Internal controls were not adequate over the school administrative claims processing services provided by an outside service organization for the Medicaid and CHIP programs.

CFDA Title: Medical Assistance Program and State Children's Health Insurance Program
CFDA Number: 93.778 and 93.767
Federal Award Number: 05-0705SD5048 and 05-0705SD5021
Federal Award Year: 2007
Federal Agency: Department of Health and Human Services

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 08000200704:

Procedures used in writing off third party liability claims were not consistent with those approved in the Medicaid and CHIP State Plans. Proper authorization to write off these claims was not obtained from the federal government or the South Dakota Board of Finance.

CFDA Title: Medical Assistance Program and State Children's Health Insurance Program
CFDA Number: 93.778 and 93.767
Federal Award Number: 05-0705SD5048 and 05-0705SD5021
Federal Award Year: 2007
Federal Agency: Department of Health and Human Services

Auditee's Corrective Action Plan:

No instances were noted in the current audit.

CURRENT AUDIT FINDING AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 08000200801:

Internal controls were not adequate over the post-payment review of claims.

CFDA Title: Medical Assistance Program
CFDA Number: 93.778
Federal Award Number: 05-0805SD5028
Federal Award Year: 2008
Federal Agency: Department of Health and Human Services
Type of Finding: Significant Deficiency
Category of Finding: Special Tests and Provisions

Analysis:

42 CFR 456.3 states:

> "The Medicaid agency must implement a statewide surveillance and utilization control program that –
>
> (a) Safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments;

(b) Assesses the quality of those services;

(c) Provides for the control of the utilization of all services provided under the plan in accordance with subpart B of this part;

(d) Provides for the control of the utilization of inpatient services in accordance with subparts C through I of this part."

The Department of Social Services, Survey and Utilization Review Subsystem (SURS) unit is responsible for performing the above procedures. The SURS unit conducts post-payment reviews over various paid claims or groups of paid claims to detect possible improper payments. The SURS unit may initiate a review for a variety of reasons, including but not limited to, referral from another DSS staff member, referral from a recipient or provider, or identification during another review.

The SURS unit maintains quarterly Integrity Review Logs to identify and track claims or cases selected for post-payment review. We selected one quarter during our audit period for testing and selected one review from each of the three categories of review logs: the provider log, recipient log, and other log. One of the reviews selected for testing involved a review opened by the SURS unit for claims being paid to an Indian Health Service (IHS) facility for a recipient who informed DSS that he had not received services at that facility since 2003. According to DSS' records, the recipient's home address is in Mitchell, which is 275 miles from the IHS facility in Rapid City that issued the claim. Also according to DSS' records, the recipient has historically utilized facilities in the Mitchell area for medical services. The IHS facility failed to respond to multiple requests for documentation to support these claims. The post-payment review team concluded that the recipient's card had been lost and that someone other than the eligible recipient had received services on three different occasions at this facility using the eligible recipient's lost card. The SURS unit properly voided the claims and, according to SURS personnel, monitored activity for this recipient number for six months following the identification of the error. However, our audit procedures discovered that following the six month period two more claims were improperly paid to this facility and were not discovered by SURS staff or any other DSS staff. Prior to identification of these errors during our audit, no further action was taken with regard to this recipient number or facility.

42 CFR 455.15 states:

"If the findings of a preliminary investigation give the agency reason to believe that an incident of fraud or abuse has occurred in the Medicaid program, the agency must take the following action as appropriate:

(a) If a provider is suspected of fraud or abuse, the agency must –

(1) In States with a State Medicaid fraud control unit certified under subpart C of part 1002 of this title, refer the case to the unit under the terms of its agreement with the unit entered into under Section 1002.309 of this title; .....

(b) If there is reason to believe that a recipient has defrauded the Medicaid program, the agency must refer the case to an appropriate law enforcement agency."

Despite the evidence indicating the potential presence of fraud or abuse of the program, the SURS unit failed to refer the case to either the State Medicaid Fraud Control Unit or any law enforcement agency.

Furthermore, no additional procedures were undertaken by the SURS unit or DSS to prevent improper payments to this facility for this recipient number in the future. Some procedures that might have been undertaken to mitigate future losses include special monitoring of claims for this recipient number at this IHS facility into the foreseeable future, informing the IHS facility of the need to check the validity of Medicaid cards at presentation for services, or canceling this recipient number and lost card number and issuing the recipient a new number. None of these actions were taken by DSS.

Because of the deficiencies noted above, testing was expanded to include a judgmental sample of six out of the remaining eight recipient category reviews conducted during our audit period. Of the six additional reviews selected for testing, one was found to have a similar type of internal control error as noted above. This review was opened by the SURS unit regarding improper claims paid under the pregnancy-related claims only aid category. On the date of service, several facilities billed for services related to an injury. The SURS unit investigated and voided all claims for this date of service because they were not pregnancy-related services. After the review was closed, however, two more claims were submitted to DSS and paid without being discovered by DSS.

As a result, the Department faced an increased risk of fraud, abuse, and overpayments occurring within the Medicaid program and not being detected through the post-payment review process.

RECOMMENDATIONS:

1. We recommend that internal controls be strengthened over the post-payment review of claims.

2. We recommend internal controls be implemented to ensure that cases that involve potential fraud or abuse are reported to the Medicaid Fraud Control Unit or appropriate law enforcement agency, as necessary.

Auditee's Corrective Action Plan:

The Department concurs with this finding.

We have enhanced our card issuance procedures to address situations where a recipients card has been lost or stolen and is being used inappropriately. In these situations the card will be closed with a new recipient identification number assigned and a new card issued. This will prevent any further misuse of the card. We have also implemented some additional edits within the Medicaid Management Information System (MMIS) for pregnancy-related services when specific sets of criteria are met, resulting in the claim being pended for further review prior to payment.

Cases involving potential provider or recipient fraud or abuse will be referred to the appropriate entity.

This concludes the Departments' corrective action plan. We appreciate the opportunity to share our plans related to the findings and recommendations, and intend to enhance our internal controls so these findings will not occur in the future.

PRIOR AUDIT FINDINGS

Federal Compliance Audit Findings:

Finding No. 0900200701:

Internal controls were inadequate to ensure that expenditures were properly allocated to federal programs.

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 0900200702:

Policies and procedures established over handling vaccine inventories were not followed.

CFDA Title: Immunization Grants
CFDA Number: 93.268
Federal Award Number: H23/CCH822510
Federal Award Year: 2007
Federal Agency: Department of Health and Human Services

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 0900200703:

The department did not comply with federal regulations established for the WIC program which require follow-up on possible program overcharges.

CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
Federal Award Number: 3SD700708
Federal Award Year: 2007
Federal Agency: Department Of Agriculture

Auditee's Corrective Action Plan:

Recommendation was implemented.

The following was issued under a separate audit of the Board of Medical and Osteopathic Examiners by Eide Bailly.

PRIOR AUDIT FINDING

Financial Statement Audit Finding:

Finding No. 09205200701:

The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Auditee's Corrective Action Plan:

Management agrees to the prior audit finding for South Dakota Board of Medical and Osteopathic Examiners regarding the inability to prepare the financial statements. Due to cost constraints, the Board will continue to have the auditors draft the financial statements and accompanying notes.

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 09205200801:

Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Analysis:

The Board does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. We proposed several significant adjustments to the general ledger during the audit. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

The control deficiency could result in a misstatement to the presentation of the financial statements.

Inadequate controls over financial reporting of the Board result in the more than remote likelihood that the Board would not be able to draft the financial statements and

accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

RECOMMENDATION:

1. While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Board and changes in reporting requirements.

Auditee's Corrective Action Plan:

Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of South Dakota Board of Medical and Osteopathic Examiners.

DEPARTMENT OF LABOR
UNEMPLOYMENT INSURANCE FUND

The following was issued under a separate audit of the Unemployment Insurance Fund by Ketel Thorstenson, LLP.

PRIOR AUDIT FINDINGS

Financial Statement Audit Findings:

Finding No. 10000200701:

Repeated as Finding No. 10000200801 for year ending June 30, 2008.

Finding No. 10000200702:

Repeated as Finding No. 10000200802 for year ending June 30, 2008.

Finding No. 10000200703:

Repeated as Finding No. 10000200803 for year ending June 30, 2008.

Finding No. 10000200704:

Repeated as Finding No. 10000200804 for year ending June 30, 2008.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Financial Statement Audit Findings:

Finding No. 10000200801:

Audit Adjustments

Analysis:

During the course of our audit engagement, we proposed material audit adjustments that resulted in significant changes in the Fund's financial statements. Adjustments included recording an adjustment to the cash balance, recording additional accounts receivable, federal benefit payments, the amount due to be transferred to investment fee fund, and liability for interest and penalties from June owed to the Contingency Fund. These adjustments would not have been identified as a result of the Fund's existing internal controls, and therefore, could have resulted in a material misstatement of the Fund's financial statements. Under the Statement of Auditing Standards (SAS) 112, *Communicating Internal Control Related Matters Identified in an Audit*, this is a significant deficiency that is required to be reported.

RECOMMENDATION:

1. Accounting staff should ensure that year-end balance sheet accounts are reconciled and recorded properly. Normal year-end adjustments should be made by accounting staff. In addition, we recommend changes in operations be continually reviewed for potential changes in accounting so that the appropriate entries can be made throughout the year.

Auditee's Corrective Action Plan:

During our next fiscal year, we intend to utilize the staff accountant from the Department of Labor to review our financial statements on a quarterly basis. Don Kattke will be in charge of implementation and review of the corrective action plan.

Finding No. 10000200802:

Preparation of the Financial Statements

Analysis:

As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the State as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the Fund's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the Fund's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

RECOMMENDATION:

2. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Auditee's Corrective Action Plan:

We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk. Dan Nikolas will be in charge of implementation and review of the corrective action plan.

Finding No. 10000200803:

Review of Journal Entry Posting

Analysis:

During the course of our audit engagement, we were informed that the Fund's balance sheet was out of balance. Accounting staff had posted entries during fiscal year 2008 that resulted in the financial statements being out of balance. These entries were not reviewed by management, and the error was not discovered and corrected timely.

RECOMMENDATION:

3. Management should ensure that journal entry postings are accurate, and adjusting entries should be reviewed by someone independent of the person initiating the entry on a regular basis.

Auditee's Corrective Action Plan:

During our next fiscal year, we intend to utilize the staff accountant from the Department of Labor to review our financial statements on a quarterly basis. Don Kattke will be in charge of implementation and review of the corrective action plan.

Finding No. 10000200804:

Tying of the Manual Trial Balance to the Automated Trial Balance

Analysis:

During the course of our audit engagement, we were informed that the manual trial balance is not tied to the automated trial balance on a regular basis.

RECOMMENDATION:

4. It is the responsibility of management to review the automated trial balance for error by tying the balances to those of the manual system.

Auditee's Corrective Action Plan:

During our next fiscal year, we intend to utilize the staff accountant from the Department of Labor to review our financial statements on a quarterly basis. Don Kattke will be in charge of implementation and review of the corrective action plan.

DEPARTMENT OF LABOR
BOARD OF ACCOUNTANCY

The following was issued under a separate audit of the Board of Accountancy by East, Vander Woude, Grant & Co., P.C.

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 10700200801:

Auditor drafting of the financial statements and related footnote disclosures.

Analysis:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112 became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the Board's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both at the same time in connection with our audit. This is not unusual for us to do this with an organization of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the Board's management. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

RECOMMENDATION:

1. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Auditee's Corrective Action Plan:

We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

PRIOR AUDIT FINDINGS

Federal Compliance Audit Findings:

Finding No. 11000200701:

Internal controls over accounting and reporting of federal grant expenditures were inadequate.

Auditee's Corrective Action Plan:

1. Recommendation was implemented.
2. Recommendation was implemented.

Finding No. 11000200702:

Controls did not exist to ensure that the SF-269A Financial Status Report was prepared and submitted for the Formula Grants for Other Than Urbanized Areas grant.

Auditee's Corrective Action Plan:

3. Recommendation was implemented.

Finding No. 11000200703:

Interest earned on Amtrak money was not accounted for properly.

Auditee's Corrective Action Plan:

4. Recommendation was implemented.

Financial Statement Audit Finding:

Finding No. 11000200704:

Internal control over the third-party billing process and associated accounts receivable was inadequate.

Auditee's Corrective Action Plan:

5. Recommendation was implemented.
6. Recommendation was implemented.

7. See Current Audit Finding No. 11000200802.

8. Recommendation was implemented.

9. Recommendation was implemented.

10. Recommendation was implemented.

11. Recommendation was implemented.

12. Recommendation was implemented.

State Audit Finding:

Finding No. 11000200705:

The South Dakota Department of Transportation (DOT) did not request reimbursement of federal fund expenditures on a timely basis.

Auditee's Corrective Action Plan:

13. See Current Audit Finding No. 11000200804.

Financial Statement Audit Finding:

Finding No. 11000200706:

Internal control over the year end inventory cutoff was inadequate.

Auditee's Corrective Action Plan:

14. See Current Audit Finding No. 11000200803.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 11000200801:

Internal Control was not adequate to ensure proper application of Amtrak Funds to allowable expenses.

CFDA Title: National Railroad Passenger Corporation - Amtrak
CFDA Number: 20.unknown

Federal Award Number:
Federal Award Year: Taxpayer Relief Act of 1997
Federal Agency:
Type of Finding: Significant Deficiency
Category of Finding: Allowable Costs

Questioned Costs: $193,380.33

Analysis:

The State received payments totaling $23,230,000 from the National Railroad Passenger Corporation (Amtrak) in fiscal years 1998 and 1999. These funds are to be accounted for and expended per the Tax Payer Relief Act of 1997. Section 977 (c) (2) of this act states:

> Use of payment. – Each non-Amtrak State shall use the payment …. (and any interest thereon) solely to finance qualified expenses of the State.

Under Amtrak guidelines, airport improvement project expenditures are allowable costs. In fiscal year 2008 (FY2008) the Department transferred $1.97 million from the Amtrak Fund to the Aeronautics Fund for the reimbursement of the State's share of airport improvement program expenditures from fiscal years 2002-2005. For thirty-eight projects included in the airport improvement program expenditures from fiscal years 2002-2005, the Department erroneously included project expenses paid by Local Governments totaling $161,828.75. In addition, the Department overcharged the Amtrak Fund interest expense of $31,551.58 relating to these projects. As a result, the Amtrak Fund was overcharged $193,380.33.

RECOMMENDATIONS:

1. We recommend procedures be implemented to ensure Amtrak Funds are used for allowable expenses.

2. We recommend that the Aeronautics Fund transfer $193,380.33 back to the Amtrak Fund.

Auditee's Corrective Action Plan:

1. Procedures are in place to ensure allowable expenditures are reviewed for Amtrak Funds. The specific issue with this finding is due to coding problems which had been corrected in a prior fiscal year to include a fund source that identifies the allowable expenditure.

2. Funds have been transferred back to the Amtrak Fund.

Financial Statement Audit Findings:

Finding No. 11000200802:

Internal control over the third-party billing process and associated accounts receivable was inadequate. This is the second consecutive audit to contain this finding.

Analysis:

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published a report in 1992 that defined internal control as:

> A process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Control activities are a component of internal control which includes authorizations, approvals, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

The Department provides services to various governmental entities and then bills those entities for their share of the services provided. These are commonly referred to as third party billings. The Department's policy regarding third party billings states in part:

> "To ensure bills are prepared timely…. Every third week of the month a review of the funding is done (review current bills and funding agreements)."

Our testing revealed that billings were not always prepared on a timely basis.

We found five instances, out of fourteen billings reviewed, where there was a lapse of two or more months from when the majority of costs were incurred until the billing was sent to the local government.

As a result, the state experienced an increased exposure to loss of assets, loss of potential interest income, and inaccurate accounting records.

RECOMMENDATION:

3. We recommend management provide adequate oversight to ensure compliance with the established policies and procedures that assure bills are sent in a timely manner.

Auditee's Corrective Action Plan:

3. a. Implemented a third-party billing procedure in January, 2008.
   b. Implemented an internal audit review process of third-party billings.
   c. Further updates to the policies and procedures are being made to reflect the specific instances where there are exceptions to the 30 day process.
   d. Implemented monthly review of billing reports such as Current Bill, Accrued Unbilled, and Nonbillable Projects reports.

Finding No. 11000200803:

Internal control over the year end inventory cutoff was inadequate. This is the second consecutive audit to contain this finding.

Analysis:

An objective of accrual based accounting is to ensure that events that change an entity's financial statements are recorded in the period in which the event occurs, rather than in the period in which the event is recorded. Inventory cutoff procedures are designed to record transactions in the proper fiscal year. The balance of the inventory at the end of a fiscal year should represent the ending inventory amount.

The Department established the policy that all fiscal year 2008 (FY2008) inventory issuances and receipts be recorded on the accounting system by the close of business on June 30, 2008. Our testing of issuances and receipts for the last week of FY2008 and the first two weeks of FY2009 identified one receipt (totaling $165,027) received in FY2008 and not properly recorded in FY2008 and fifteen receipts (totaling $168,988) dated in FY2009 that were erroneously accrued into FY2008. As a result, the Department overstated inventory at year end.

Inventory is material to the Transportation Fund, which is a major fund of the State. The calculated potential adjustment was below the materiality threshold and therefore the financial statements were not adjusted.

RECOMMENDATION:

4. We recommend that the Department establish procedures and controls that ensure receipts are included in the inventory balance of the proper fiscal year.

Auditee's Corrective Action Plan:

4. a. The majority of the audit finding of $165K out of the total of $169K was due to a system problem in which the system did not handle a correction properly. Action is being taken to correct the system problem.
   b. The inventory analyst will monitor inventory issuances and receipts to ensure inventory transactions are included in the proper fiscal year.

State Audit Finding:

Finding No. 11000200804:

The South Dakota Department of Transportation (DOT) did not request reimbursement of federal fund expenditures on a timely basis.

Analysis:

The Department administers the Formula Grants for Other than Urbanized Areas grant (CFDA: 20.509) which is a reimbursement grant, where the Department expends state funds and bills the federal government to recover eligible costs.

Between 7/1/07 and 6/30/08, and after funds were authorized by the Federal Government, the amount eligible for reimbursement from the federal government exceeded $1,000,000 for 22 days and the amount eligible for reimbursement from the federal government exceeded

$2,000,000 on 10 of those days. If the Department had submitted reimbursement requests on a more frequent and timely basis, the state could have earned approximately $10,515 of additional investment income in FY2008.

RECOMMENDATION:

5. We recommend federal grant expenditure reimbursement requests be prepared on a timely basis.

Auditee's Corrective Action Plan:

5. The DOT will submit the grant application within 5 business days after the notification of funding availability. When the grant application has been approved there is a 3 day waiting period per the federal guidelines then Finance will bill for the grant reimbursement. This process will be completed within 5 business days in order to collect on all prior costs that have been accumulated for the year.

DEPARTMENT OF EDUCATION

PRIOR AUDIT FINDINGS

Federal Compliance Audit Findings:

Finding No. 12000200701:

Subrecipient monitoring of payments made to the Local Education Agencies (LEAs) was inadequate.

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 12000200702:

The core indicators of performance reported in the 2005-2006 Accountability Report (Form IV) Consolidated Annual Performance, Accountability, and Financial Status Report (Accountability Report) could not be substantiated as being accurate.

Auditee's Corrective Action Plan:

Recommendation was implemented.

PRIOR AUDIT FINDINGS

Financial Statement Audit Findings and Federal Compliance Audit Findings:

Finding No. 15000200701:

A significant internal control deficiency was noted with respect to the monthly reconciliations of cash, revenues, and expenses between the state accounting system and the Banner Accounting System utilized by the Board of Regents for financial reporting purposes.

Auditee's Corrective Action Plan:

Finding was satisfactorily resolved.

Finding No. 15000200702:

A material weakness in internal control was noted with respect to external financial reporting.

Auditee's Corrective Action Plan:

See Current Audit Finding No. 15000200801.

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 15000200801:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements, including the identification and correction of reporting errors and omissions.

Analysis:

Various policies and procedures were implemented by the central office and universities during the South Dakota Board of Regents financial statement preparation. These policies and procedures were not intended to be university specific and did not identify unique reporting considerations. In almost all instances, universities and the central office did not have adequate written policies and procedures to identify how they were to apply the broad policies to their specific university. Additionally, procedures were not adequate in assessing the risk of potential reporting errors through performing trend analysis and reasonableness tests or other relevant reviews over the amounts being reported. As a result, the audit identified that numerous year-end entries completed by the universities and central office had material reporting errors and omissions. Adjusting

entries were posted to the accounting records as recommended by us during the audit. Based on the testing performed, we identified material and/or significant errors and omissions in financial information from the following: Board of Regents central office, Black Hills State University, Dakota State University, University of South Dakota, South Dakota State University, and South Dakota School of Mines and Technology.

Our audit identified significant deficiencies over financial reporting or material adjustments for the following areas:

- Cash and cash equivalents
- Interest receivable
- Capital assets –
- Asset and liability classification –
- Proper recognition of liabilities and expenses,
- Proper recognition of receivables, deferred revenue, and revenue,
- Equity and equity restrictions .

Because of the lack of adequate controls over the financial reporting process, there existed an increased exposure to inaccurate financial reporting.

RECOMMENDATION:

1. We recommend internal control over external financial reporting be strengthened by: a) improving the written policies and procedures on the preparation of external financial statements and the identification and correction of reporting errors or omissions; and, b) increasing management oversight and involvement over the external financial reporting process.

Auditee's Corrective Action Plan:

The Board of Regents recognizes the importance of accurate and complete financial statements for external use. Policies and procedures will be reviewed with an emphasis on clearer and precise procedures, particularly in the areas of combining component units (SD Building Authority), proper recognition of receivables, cash equivalents, and liabilities. The Board of Regents will work closer with the Bureau of Finance and Management in identifying and reconciling Due to Primary and Construction in Progress transactions.

The Board of Regents requested funding from the 2009 Legislature for additional financial support staff is to provide the universities and Board Office with the support necessary to effectively operate in a changing environment. Additional resources are imperative to continue to meet the increased demands from State agencies and to provide the necessary resources to produce timely financial information to management and the State. The funding request was not included in the 2010 general fund appropriation.

PRIOR AUDIT FINDING

Financial Statement Audit Finding:

Finding No. 15020200701:

Controls were not adequate to ensure the proper recording of cost and accumulated depreciation data in the subsidiary records for land and land improvements held by the University of South Dakota.

Auditee's Corrective Action Plan:

Recommendation was implemented.

PRIOR AUDIT FINDING

State and Federal Compliance Audit Findings:

Finding No. 15030200701:

Equipment acquired with state and federal funds was not disposed of in accordance with state and federal regulations.

CFDA Title: Payments to Agricultural Experiment Stations Under the Hatch Act
CFDA Number: 10.203
Federal Award Number: CSREES-OD-1088
Federal Award Year: 2001
Federal Agency: Department of Agriculture

Questioned Costs: $25,014.37

Auditee's Corrective Action Plan:

No instances were noted in the current audit.

PRIOR AUDIT FINDINGS

Federal Compliance Audit Findings:

Finding No. 15040200701:

A lease agreement between the South Dakota School of Mines and Technology (School) and the South Dakota School of Mines and Technology Foundation (Foundation) to continue using space for the Tech Development Lab under the Advanced Materials and Processes for Future Combat Systems Cooperative Agreement did not comply with cost principles established by the federal government.

CFDA Title: Basic and Applied Research in Science and Engineering
CFDA Number: 12.630
Federal Award Number: DAAD 19-02-2-0011
Federal Award Years: Fifth Year APP/CLIN0008 and Sixth Year APP/CLIN0009
Federal Agency: Department of Defense

Questioned Cost $117,747.50

Auditee's Corrective Action Plan:

No instances were noted in the current audit.

Finding No. 15040200702:

Internal controls over the identification and reporting of program income were inadequate for the Advanced Materials and Processes for Future Combat Systems Cooperative Agreement.

CFDA Title: Basic and Applied Research in Science and Engineering
CFDA Number: 12.630
Federal Award Number: DAAD 19-02-2-0011
Federal Award Years: Fifth Year APP/CLIN0008 and Sixth Year APP/CLIN0009
Federal Agency: Department of Defense

Auditee's Corrective Action Plan:

Recommendation was implemented.

Finding No. 15040200703:

Internal control over the Davis-Bacon Act requirements and procurement procedures were inadequate for the Advanced Materials and Processes for Future Combat Systems Cooperative Agreement.

CFDA Title: Basic and Applied Research in Science and Engineering
CFDA Number: 12.630
Federal Award Number: DAAD 19-02-2-0011
Federal Award Years: Fifth Year APP/CLIN0008
Federal Agency: Department of Defense

Auditee's Corrective Action Plan:

Recommendation was implemented.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 19000200801:

Periodic certifications for employees working on a single federal program were not obtained in accordance with federal regulations.

CFDA Title: Rehabilitation Services-Vocational Rehabilitation Grants to States
CFDA Number: 84.126
Federal Award Number: Various
Federal Award Year: Various
Federal Agency: Department of Education
Type of Finding: Material Weakness
Category of Finding: Allowable Costs/Cost Principles

Analysis:

OMB Circular A-87 – Cost Principles for State and Local Governments (A-87), Attachment B, Number 8, section h states:

> …
>
> (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."
>
> …

Of the 183 employees tested, payroll costs for 115 employees were allocated solely to one federal program and required a certification. One of the 115 employees did not submit a periodic certification stating they worked solely on a federal program. The other 114 employees had certifications completed in April and May of 2008 that covered the eighteen month time period of January 1, 2007 through June 30, 2008. These certifications should have been prepared at least semi-annually. As a result, the department did not comply with OMB Circular A-87 and there existed an increased exposure for ineligible costs to be incurred on federal programs.

RECOMMENDATION:

1. We recommend that periodic certifications for employees working on a single federal program be obtained in accordance with OMB Circular A-87.

Auditee's Corrective Action Plan:

The DHS has always had procedures in place to ensure compliance with periodic certifications for employees working on a single federal program and historically have not encountered any issues with this requirement. The completion of this task occurred later than we would have preferred.

In response to the finding regarding the Vocational Rehabilitation Services Grant, DHS disagrees that this finding presents a 'material weakness'. During the course of the audit engagement, communication with the auditor identified why we disagree with the 'materiality' of this finding. The employees working under this grant provide only vocational rehabilitation services and have absolutely no other program to work on or code time to. The payroll distribution rules for these employees are established by DHS Budget and Finance Office. Therefore, all payroll expenses are accurately accounted for and reported on the federal financial status reports and are not affected by signed time certifications.

Although we would agree this is a non-compliance issue, we disagree with your finding of material weakness as the signed certification would not have a material impact or reflection on costs or expenditures reported to this federal award. Our corrective action plan will assure through adherence to established procedures that compliance will be obtained and maintained with the requirement of periodic certifications for employees working on a single federal program.

Finding No. 19000200802:

The Vocational Rehabilitation Program Cost Report (Form RSA-2) contained inaccurate information.

CFDA Title: Rehabilitation Services-Vocational Rehabilitation Grants to States
CFDA Number: 84.126
Federal Award Number: H126A070062D and H126A070084D
Federal Award Year: 2006 and 2007
Federal Agency: Department of Education
Type of Finding: Noncompliance
Category of Finding: Reporting

Analysis:

An annual Vocational Rehabilitation Program Cost Report (Form RSA-2) is required for the Vocational Rehabilitation grant for both the Division of Rehabilitation Services (DRS) and the Division of Service to the Blind and Visually Impaired (SBVI). The report contains statistical and financial data for the federal fiscal year (FFY). Examination of the DRS and SBVI FFY2007 RSA-2 reports identified the following:

1) Schedule 2, Line 1, DRS and SBVI reported an erroneous number of individuals that did not receive any purchased services and who also did not receive any of the other services provided directly by the state. This line would include those individuals receiving assessment, counseling, guidance or placement services provided through use of comparable benefits, at no cost to the state. The DRS and SBVI schedules reported 1,689 and 158 and should have reported 2,354 and 140, respectively.

2) Schedule 2, Line 10, DRS and SBVI reported an incorrect number of individuals for an unduplicated count of individuals receiving any Vocational Rehabilitation services. The DRS and SBVI schedules reported 5,409 and 505 and should have reported 5,388 and 504, respectively.

3) Schedule 2, Line 12, DRS reported an erroneous amount of Vocational Rehabilitation funds expended for rehabilitation technology services. The schedule reported $302,982 and should have reported $52,887.

4) Schedule 5, Line 1, DRS and SBVI reported the wrong amount of Section 110 Federal funds allotted for FFY07 to be carried over to the following fiscal year. The DRS and SBVI schedules reported $0 and should have reported $37,176 and $178,306, respectively.

5) Schedule 5, Line 3, DRS reported the wrong amount of Title VI-B Federal funds allotted for FFY07 to be carried over to the following fiscal year. The schedule reported $0 and should have reported $10,597.

6) Schedule 5, Line 5, DRS and SBVI reported the wrong amount of Program Income funds received during FFY07 to be carried over to the following fiscal year. The DRS and SBVI schedules reported $0 and should have reported $219,657 and $101,702, respectively.

As a result, inaccurate statistical and financial information was reported on the FFY07 Rehabilitation Program/Cost Report (Form RSA-2).

RECOMMENDATIONS:

2. We recommend statistical and financial information be properly reported on the Rehabilitation Program Cost Report (Form RSA-2).

3. We recommend the DRS and SBVI correct the FFY07 Rehabilitation Program Cost Report (Form RSA-2) and resubmit the report to the U.S. Department of Education.

Auditee's Corrective Action Plan:

The DHS agrees with this audit finding and recommendations made by the Department of Legislative Audit. The DHS has processes and procedures in place to assure the accurate preparation of these reports. However, due to staff turnover and vacancies, the preparation of this particular report did not follow the DHS established procedures. The DHS will assure that all subsequent future reports are prepared and submitted accurately. The FFY2007 Annual Vocational Rehabilitation Program/Cost Reports have been corrected and will be resubmitted to the U.S. Department of Education.

PRIOR AUDIT FINDING

State Audit Finding and Financial Statement Audit Finding:

Finding No. 30000200701:

Internal controls over preparation, recording, and reporting financial transactions were not adequate.

Auditee's Correction Action Plan:

Recommendation was implemented.

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

The following was issued under a separate audit of the South Dakota Housing Development Authority by Eide Bailly.

PRIOR AUDIT FINDING

Federal Compliance Audit Finding:

Finding No. 40014200701:

Form 50059 was not completed within the guidelines in the HUD 43503 Handbook.

Auditee's Corrective Action Plan:

As of June 30, 2008 this finding has been resolved.

CURRENT AUDIT FINDING AND RECOMMENDATION

Financial Statement Audit Finding:

Finding No. 40014200801:

During the audit, we identified certain material items during our audit procedures that required adjustment to the financial statements. Our procedures also identified that the review of monthly and annual adjusting journal entries is not being performed on a consistent basis.

Analysis:

A system of internal accounting control contemplates accurate recording and presentation of amounts and disclosures in the financial statements. To ensure accurate recording, a system of internal control should include a review of all adjusting journal entries recorded into the system.

Audit adjustments were identified due to adjusting journal entries and their financial statement effect not being reviewed prior to preparation of the financial statements.

The control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

RECOMMENDATION:

1. We recommend that management develop and implement a procedure to document the review of adjusting journal entries posted by all staff accountants. This review process should entail review of journal entries and related support to ensure propriety of the entry. This process should also include notation that the procedure was performed by having the reviewer signoff on the documentation.

Auditee's Corrective Action Plan:

The Authority makes every attempt to include all material amounts and disclosures in its financial statements and related notes. However, with the volume of transactions completed every year, the need to implement additional procedures to ensure accurate recording and presentation is necessary. We will review our current procedures and implement additional procedures as necessary.

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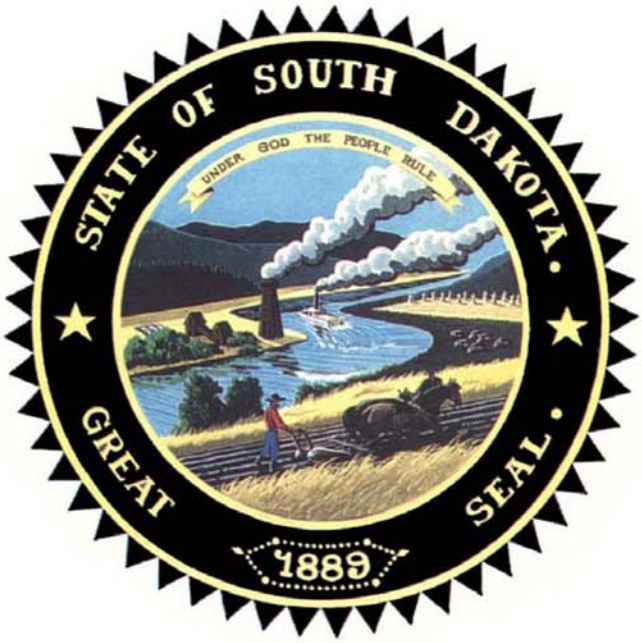
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