

FY2011 SINGLE AUDIT OVERVIEW

Purpose

The following overview is intended to provide the reader with a general understanding of the different auditor's reports, management letters, financial statements and other information included in the FY2011 state of South Dakota Single Audit Report.

Single Audit

A single audit is an audit which includes both the entity's financial statements and its federal awards. The State's single audit includes an examination of the financial records, internal controls and compliance with federal laws and regulations for both the federal programs and the State as a whole.

The audit of the State's financial statements is designed to determine whether the statements are fairly presented in all material respects; and whether the presentation is in accordance with generally accepted accounting principles (GAAP).

Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) is a thorough, detailed presentation of the State's financial position and activities for the fiscal year. The CAFR is presented in three main sections.

- The Introductory Section (pages 1-10) includes a financial overview, discussion of the State's economy and major initiatives, and the organizational structure for State government.
- The Financial Section (pages 11-157) includes the independent auditor's report, management's discussion and analysis that provides an introduction, overview, and analysis of the basic financial statements, the basic financial statements, notes to the basic financial statements, and, combining and individual fund financial statements.
- The Statistical Section (pages 159-180) displays selected unaudited economic, financial trend and demographic information for the state.

Independent Auditors Report

The Independent Auditors Report issued by the Department of Legislative Audit (pages 11-12) provides unqualified opinions on the 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. An unqualified opinion means, in general, that the audit concluded that the financial statements were presented fairly and accurately.

Government-Wide Financial Statements

The first two financial statements in the CAFR are the government-wide financial statements—the Statement of Net Assets (pages 32-33) and the Statement of Activities (pages 34-35). The government-wide statements provide comprehensive information about the entire government, including all of the governmental funds, proprietary funds, long-term debt, and capital assets. The government-wide statements do not include the fiduciary funds, which account for resources the government manages on behalf of others. This is because fiduciary fund resources are not available to support the State's programs.

The Statement of Net Assets contains information about what the State owns (assets), what the State owes (liabilities), and what is left after assets are used to satisfy liabilities (net assets).

The Statement of Activities contains information about the costs of providing public services (expenses) and resources obtained to finance services (revenues) during the current fiscal year. The statement 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

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function. Taxes and other items not properly included as program revenues are reported as general revenues.

These statements provide comprehensive information about the entire State, excluding fiduciary funds, separated between:

- Governmental Activities encompass most of the State's basic services including; general government, education, health, human and social services, transportation, economic resources, and agriculture and natural resources. Revenues from fees, taxes and federal grants finance most of these activities.
- Business-Type Activities are financed in whole or in part by fees charged to external parties for goods or services.
- Discretely Presented Component Units are entities legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The discretely presented component units include the Conservation Reserve Enhancement Program (CREP), South Dakota Finance Authority, South Dakota Housing Authority, Value Added Finance Authority, Science and Technology Authority, and, Higher Education.

Fund Financial Statements

Separate financial statements are provided for governmental funds (pages 36-43), proprietary funds (pages 44-47), and fiduciary funds (pages 48-49). 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. Additional combining statements for nonmajor funds and component units can be found on pages 122-157.

The Government Accounting Standards Board (GASB) established the criteria to be used in determining the major funds to be reported. The criteria establishes a fund as major if, the total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds), and, total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. The General Fund is always displayed as a major fund.

The major governmental funds are:

- General Fund
- Transportation Fund
- Social Services Federal Fund
- Dakota Cement Trust Fund
- Education Enhancement Trust Fund

The major enterprise funds are:

- Lottery Fund
- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund

Measurement Focus and Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities along with the proprietary fund, fiduciary fund and component unit statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus is similar to private enterprise reporting and attempts to answer the question of whether the fund's total economic resources have increased or decreased. Under the accrual basis of accounting, revenues

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are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus attempts to answer the question of whether there are enough current resources available for spending in the near future. Revenues are recognized as soon as they are both measurable and available. Expenditures are recognized in the period in which the fund liability is incurred except for the long-term portion of certain liabilities such as bonds payable, compensated absences and capital lease obligations.

Schedule of Expenditures of Federal Awards

Pages 181-248 provide the Schedule of Expenditures of Federal Awards and the Auditor's Report on the schedule. The schedule lists the state's cash basis expenditures incurred on federal grants during the fiscal year.

Internal Control and Compliance Reports

Pages 249-254 provides two auditor's reports regarding internal control and compliance.

- 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

This is the auditor's report on internal controls tested as part of the financial statement audit. The report does not offer an auditor's opinion on the overall design and operation of the government's internal control but provides the material reportable conditions and noncompliance that were identified during testing.

- Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

This is the auditor's report on the results of tests of internal controls over compliance for major federal award programs. The auditor gave an unqualified opinion on the State's compliance with the requirements of major federal programs except for certain compliance requirements tested for two grants. The report also provides a listing of audit findings resulting in questioned costs and reportable conditions.

Findings, Questioned Costs and Corrective Action Plans

Pages 255-300 provides:

1. A summary of the results of the audit of the financial statements and federal awards.
2. Listings of the major federal grant programs tested, the audit reports issued separately and the other significant areas tested.
3. A listing of the prior and current year audit findings and questioned costs by agency of state government.

Selected Financial Statements

The pages 7-10 provide selected financial statements from the Single Audit Report. The statements contain information about what comprises certain columns and balances in those statements and where to find additional note disclosures for certain account balances.

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In FY2011 the State implemented GASB Statement 54 “Fund Balance Reporting and Government Fund Type Definitions” which significantly changed how fund balances were reported and governmental fund type definitions. In the fund financial statements, the governmental funds now report fund balance classifications using a hierarchy based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balances are reported in five different categories:

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

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

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the State Legislature through legislation passed into law. In some cases, a fund balance may initially have been identified as restricted but, since the fund had some prior legislative action which ‘swept’ cash from the fund and transferred the cash to another fund or purpose, it can no longer be reported as restricted but now is reported as committed.

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

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

The next page provides additional detail on the fund balances reported as non-spendable, restricted, committed and assigned.

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	General	Trans- portation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Non-Major Special Revenue Funds	Total
Non-Spendable							
Inventory and Prepaids	\$ 3,148	\$	\$	\$	\$	\$	\$ 3,148
permanent fund principal				238,000	329,330	116,456	683,786
Total Non-Spendable Fund Balances	<u>3,148</u>			<u>238,000</u>	<u>329,330</u>	<u>116,456</u>	<u>686,934</u>
Restricted							
Education					47,804	8,532	56,336
Health and Public Assistance			95			28,440	28,535
Law , Justice and Public Protection						10,846	10,846
Economic Development						29,563	29,563
Transportation		155,886					155,886
Agriculture and Natural Resources						66,654	66,654
Energy Conservation or Development						11,243	11,243
Game and Fish						10,409	10,409
Parks and Recreation						7,359	7,359
Public Buildings						566	566
Public Broadcasting						1,600	1,600
Railroads						37,570	37,570
Debt Service						60,849	60,849
Capital Projects						5,285	5,285
Other				4,698		6,239	10,937
Total Restricted Fund Balances		<u>155,886</u>	<u>95</u>	<u>4,698</u>	<u>47,804</u>	<u>285,155</u>	<u>493,638</u>
Committed							
Education						372	372
Health and Public Assistance						2,848	2,848
Law , Justice and Public Protection						9,110	9,110
Agriculture and Natural Resources						9,129	9,129
Environmental Cleanup						3,648	3,648
Energy Conservation or Development						1,873	1,873
Public Buildings						2,406	2,406
Railroads						205	205
Other						7,253	7,253
Total Committed Fund Balances						<u>36,844</u>	<u>36,844</u>
Assigned							
Education	99,389					1,420	100,809
Higher Education	10,895						10,895
Health and Public Assistance	24,788					12,657	37,445
Law , Justice and Public Protection	4,352					11,849	16,201
Agriculture and Natural Resources	97					2,610	2,707
Tourism Promotion	2,454						2,454
Public Buildings	3,744					5,316	9,060
Other	2,418					832	3,250
Total Assigned Fund Balances	<u>148,137</u>					<u>34,684</u>	<u>182,821</u>
Unassigned Fund Balances *	136,018					(18,859)	117,159
Total Fund Balances	<u>\$ 287,303</u>	<u>\$ 155,886</u>	<u>\$ 95</u>	<u>\$ 242,698</u>	<u>\$ 377,134</u>	<u>\$ 454,280</u>	<u>\$ 1,517,396</u>

* This amount includes \$43,398,000 of equity from the Budget Reserve established by the 1991 South Dakota Legislature as discussed further in the following paragraph.

Note: The balance in the budget reserve account at June 30, 2011 was \$43,398,000 and is reported as unassigned fund balance within the General Fund. This account was not allowed to be shown as anything but unassigned by GASB Statement 54 because the conditions allowing for it usage were not specific enough.

General Fund

The State's General Fund beginning fund balance was restated in the current year for the reclassification of various statutorily created accounts, that because of the implementation of GASB 54, no longer qualify as Special Revenue Funds and were required to be combined with the State's General Fund (as identified in Note 1). As of June 30, 2011 the following equity balances were included within the State's General fund due to the implementation of GASB 54 (expressed in thousands):

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Fund Balance - June 30, 2011 before	
GASB 54 combinations	\$ 214,180
Statutorily Created Funds Combined with the General Fund	
Property Tax Reduction - assigned for Education	67,754
Tourism Promotion - assigned for Tourism Promotion	2,454
Investment Council Operating - assigned for Other	1,728
Private Activity Bond - assigned for Other	67
Tax Relief - unassigned	936
Extraordinary Litigation Expense - unassigned	154
Unclaimed Property - unassigned	30
Fund Balance - June 30, 2011 as reported	\$ 287,303

Funds Held as Permanent Investments

- *Dakota Cement Trust Fund.*
- *Education Enhancement Trust Fund.*
- *Health Care Trust Fund.*
- *Permanent Fund.*

Fund	Expendable	Nonexpendable	Total Restriction
Dakota Cement Trust	\$ 4,698	\$ 238,000	\$ 242,698
Education Enhancement Trust	47,804	329,330	377,134
Health Care Trust	18,421	85,631	104,052
Permanent	669	30,825	31,494
Total	\$ 71,592	\$ 683,786	\$ 755,378

**STATE OF SOUTH DAKOTA
STATEMENT OF NET ASSETS
June 30, 2011
(Expressed in Thousands)**

Discretely Presented Component Units are entities legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The total is shown here. In the report they are broken out further.

Business-Type Activities are financed in whole or in part by fees charged to external parties for goods or services.

Governmental Activities encompass most of the State's basic services and are funded through taxes, fees and federal grants.

Includes cash on hand, cash in local banks and cash in the State Treasury. Additional note disclosure is on page 60.

A breakdown of receivables appears in Note 4 on page 69.

Internal balances represent net receivables and payables between funds.

Most investments are managed by the Investment Council. Note disclosure on investments appears on pages 60-68.

Most capital assets are reported at their original cost less the accumulated annual depreciation charges. Assets such as land are not depreciated. Examples of infrastructure assets would be highways and bridges. Additional information is presented in the notes on pages 72-75.

Liabilities are shown in order of maturity. A breakdown of what Accounts Payable and Other Liabilities represents is shown in the Notes on page 70.

The notes on pages 86-96 provide information on long-term liabilities including what they consist of and what the changes were during the year.

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

Funds held as permanent investments consist of the Education Enhancement, Health Care, Dakota Cement and S&PL 'trust' funds. The nonexpendable portion represents the principal amount held inviolate.

Unrestricted Net Assets represents assets which may be used at the state's discretion. Often though, these assets have restrictions placed on them from enabling legislation for specific purposes. Unrestricted Net Assets also include non-liquid assets such as inventories and receivables.

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets				
Cash and Cash Equivalents	\$ 675,601	\$ 166,236	\$ 841,837	\$ 417,413
Receivables (Net)	376,574	404,669	781,243	1,717,107
Due From Component Units	974	25	999	
Due From Primary Government			0	1,682
Internal Balances	6,903	(6,903)	0	
Investments	778,109	117,920	896,029	793,396
Inventory	22,905	2,342	25,247	13,114
Deferred Swap Outflow			0	24,125
Deferred Fiscal Charges and Other Assets	8,385	1,394	9,779	18,170
Restricted Assets:				
Cash and Cash Equivalents	1	363	364	24,832
Investments	23,422	1,249	24,671	36,254
Other		792	792	6,614
Capital Assets:				
Land and Other Non-depreciable Assets	716,744	295	717,039	54,020
Infrastructure (net)	1,994,462		1,994,462	
Property, Plant and Equipment (net)	406,921	4,065	410,986	770,100
Construction in Progress	269,930		269,930	33,306
Total Assets	5,280,931	692,447	5,973,378	3,910,133
Liabilities				
Accounts Payable and Other Liabilities	282,888	6,065	288,953	57,716
Due To Primary Government			0	999
Due To Component Units	1,682		1,682	
Accrued Interest Payable	10,434	3,731	14,165	14,958
Deferred Revenue	33,826	2,371	36,197	7,369
Fair Value of Interest Rate Swap Agreements			0	24,125
Noncurrent Liabilities:				
Due Within One Year	46,544	7,952	54,496	235,268
Due In More Than One Year	364,955	167,470	532,425	2,105,148
Total Liabilities	740,329	187,589	927,918	2,445,583
Net Assets				
Invested In Capital Assets, Net of Related Debt	3,300,829	4,360	3,305,189	493,937
Restricted For:				
Education	7,589		7,589	
Highways	146,792		146,792	
Railroads	37,570		37,570	
Law, Justice, Public Protection and Regulation	10,330		10,330	
Agriculture and Natural Resources	58,257		58,257	466,113
Game and Fish	8,674		8,674	
Parks and Recreation	6,438		6,438	
Health and Public Assistance	7,812		7,812	
Economic Development	29,563		29,563	
Debt Service	51,238	1,139	52,377	
Capital Projects	5,272		5,272	
Energy Conservation Programs	11,243		11,243	
Higher Education - Expendable			0	114,446
Higher Education - Nonexpendable			0	306,192
Funds held as Permanent Investments				
Expendable	71,591		71,591	
Nonexpendable	683,786		683,786	
Interim Lab			0	7,475
Sanford Center for Science Education			0	13,037
Other Purposes	8,301	792	9,093	12,500
Unrestricted	95,317	498,567	593,884	50,850
Net Assets	\$ 4,540,602	\$ 504,858	\$ 5,045,460	\$ 1,464,550

Net Assets of \$4,540,602 represents Total Assets of \$5,280,931 less Total Liabilities of \$740,329.

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

THE ABOVE STATEMENT APPEARS ON PAGES 32-33 OF THE SINGLE AUDIT REPORT

**STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

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.

This represents the total cost of the function or program.

A list of what state agencies comprise the different functional classifications can be found on page 10.

Revenue sharing expense represents the distribution of state imposed taxes or fees to other units of government. An example would be motor vehicle licenses where the county retains a portion of the amount collected.

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 157,405	\$ 170,598	\$ 17,078	\$	\$ 30,271	\$	\$	\$ 30,271
Education - Elementary, Secondary and Vocational								
Schools	218,959	5,843	238,155		25,039			25,039
Education - State Support to Higher Education	185,757		21,884		(163,873)			(163,873)
Health, Human and Social Services	1,354,829	36,256	959,879		(358,694)			(358,694)
Law, Justice, Public Protection and Regulation	286,824	60,555	130,370		(95,899)			(95,899)
Agriculture and Natural Resources	151,116	67,815	49,556		(33,745)			(33,745)
Economic Resources	51,157	1,332	18,965		(30,860)			(30,860)
Transportation	508,548	7,776	402,425	3,945	(94,402)			(94,402)
Intergovernmental - Payments to School Districts	412,310				(412,310)			(412,310)
Intergovernmental - Revenue Sharing	100,493				(100,493)			(100,493)
Unallocated Interest Expense	18,711				(18,711)			(18,711)
Unallocated Depreciation	58				(58)			(58)
Total Governmental Activities	3,446,167	350,175	1,838,312	3,945	(1,253,735)	0		(1,253,735)
Business-Type Activities:								
Lottery	36,775	144,460	311			107,996		107,996
Clean Water State Revolving	11,109	6,014	18,534			13,439		13,439
Drinking Water State Revolving	11,964	4,807	29,033			21,876		21,876
Revolving Economic Development and Initiative	669	1,757	1,075			2,163		2,163
Unemployment Insurance	63,618	74,452	2,304			13,138		13,138
Second Injury	1,289	3,315	6			2,032		2,032
State Fair	2,652	2,440	46			(166)		(166)
Federal Surplus Property	6,166	6,373	7			214		214
Rural Rehabilitation	740	266	115			(359)		(359)
Prison Industries	2,399	2,688	105			394		394
Health Insurance Risk Pool	7,730	5,871	1,010			(849)		(849)
Professional and Licensing	6,429	6,571	287			429		429
Banking and Insurance	3,351	3,485	37			171		171
Other	5,363	4,992	56			(315)		(315)
Total Business-Type Activities	160,254	267,491	52,926	0	0	160,163		160,163
Total Primary Government	\$ 3,606,421	\$ 617,666	\$ 1,891,238	\$ 3,945	(1,253,735)	160,163		(1,093,572)
Component Units:								
Housing Authority	\$ 131,325	\$ 148,105	\$	\$				\$ 16,780
Science and Technology Authority	16,304	1,125	7,399					(7,780)
Higher Education	646,418	316,544	171,514	12,521				(145,839)
Nonmajor	1,509	1,434	9					(66)
Total Component Units	\$ 795,556	\$ 467,208	\$ 178,922	\$ 12,521				(136,905)
General Revenues:								
Taxes:								
Sales Taxes					741,455			741,455
Motor Fuel Taxes					130,542			130,542
Contractors Excise Taxes					66,518			66,518
Bank Card and Franchise Taxes					16,954			16,954
Other Taxes					266,415			266,415
Investment Earnings					143,106			143,106
State Support to Higher Education								185,757
Gain on Sale of Capital Assets					819			819
Miscellaneous					41,519			41,519
Additions to Endowments								17,788
Transfers					107,750	(107,750)		
Total General Revenues, Additions to Endowments and Transfers					1,515,078	(107,750)		1,407,328
Changes in Net Assets					261,343	52,413		313,756
Net Assets - Beginning, as restated					4,279,259	452,445		1,348,126
Net Assets - Ending					\$ 4,540,602	\$ 504,858		\$ 5,045,460
								\$ 1,464,550

The totals being reported under in these rows represent the result of subtracting revenue from expenses. A (negative) amount identifies a function or program where program revenue did not cover the costs of operations. For Governmental Activities, a negative would often be funded from general revenues such as sales taxes. For Business-Type Activities, negative amounts are seldom funded from general revenue or from subsidies from governmental activities, although the State Fair would be an exception. Positive amounts, such as that reported for the Lottery, indicate revenues exceeding expenses. In the example of the Lottery, this excess was used to subsidize the General Fund. The subsidy was included in the Transfers amount reported in the bottom part of the statement.

General Revenues include those taxes and other sources of income used to fund the net costs of the functions. These revenues are not included as Program Revenue because they are not directly associated with receiving a benefit from the program or activity.

Miscellaneous General Revenues would include the tobacco settlement revenue received from participating tobacco companies and unclaimed property receipts.

Additional note disclosure on transfers can be found on page 71.

The Change in Net Assets identify whether the State's financial position improved or (declined) during the year.

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011
(Expressed in Thousands)**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus attempts to answer the question of whether there are enough current resources available for spending in the near future. Revenues are recognized as soon as they are both measurable and available. Expenditures are recognized in the period in which the fund liability is incurred except for the long-term portion of certain liabilities such as bonds payable, compensated absences and capital lease obligations.

To find additional detail on the Nonmajor funds, see the combining statements on pages 122-157.

The cash reported in the General Fund includes \$43.4 million in the Budget Reserve Fund.

	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total
Assets							
Cash and Cash Equivalents	\$ 213,581	\$ 127,803	\$	\$ 2,861	\$ 21,311	\$ 257,336	\$ 622,892
Investments				238,712	368,456	194,363	801,531
Receivables From:							
Taxes (net)	99,345	9,600				4,195	113,140
Interest and Dividends	2,199	607	3	1,132	1,836	2,154	7,931
Other Funds	58,056	1,180	6			8,217	67,459
Component Units		76				134	210
Other Governments	731	49,576	29,929			83,836	164,072
Loans and Notes (net)		434				59,615	60,049
Other (net)	5,727	658	8,427			15,790	30,602
Inventory	2,251	16,124				3,138	21,513
Deferred Fiscal Charges and Other Assets	897	207	59			1,175	2,338
Total Assets	\$ 382,787	\$ 206,265	\$ 38,424	\$ 242,705	\$ 391,603	\$ 629,953	\$ 1,891,737
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	\$ 64,103	\$ 41,214	\$ 33,678	\$ 7	\$	\$ 38,347	\$ 177,349
Payable To:							
Other Funds	4,336	1,429	4,434		14,469	41,313	65,981
Component Units	151	64	125			1,231	1,571
Other Governments	23,852	7,627	82			58,160	89,721
Claims, Judgments and Compensated Absences	80	16	10			64	170
Deferred Revenue	2,962	29				36,558	39,549
Total Liabilities	95,484	50,379	38,329	7	14,469	175,673	374,341
Fund Balances:							
Nonspendable	3,148			238,000	329,330	116,456	686,934
Restricted		155,886	95	4,698	47,804	285,155	493,638
Committed						36,844	36,844
Assigned	148,137					34,684	182,821
Unassigned	136,018					(18,859)	117,159
Total Fund Balances	287,303	155,886	95	242,698	377,134	454,280	1,517,396
Total Liabilities and Fund Balances	\$ 382,787	\$ 206,265	\$ 38,424	\$ 242,705	\$ 391,603	\$ 629,953	\$ 1,891,737

Fund balances are classified based upon the extent that the State is bound to honor constraints on the specific purpose the amounts in the funds can be spent. Additional discussion is provided on pages 57 and 97-99

THE ABOVE STATEMENT APPEARS ON PAGES 36-37 OF THE SINGLE AUDIT REPORT.

This reconciliation provides the entries needed to convert the governmental funds into the Governmental Activities reported in Government-Wide Statement of Net Assets.

**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds

\$ 1,517,396

This is the fund equity reported for governmental funds on pages 30-31.

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

Investments therefore not reported in the funds. These assets consist of:

Land and Construction in Progress	985,509
Infrastructure	3,315,208
Other Capital Assets	694,068
Accumulated Depreciation	(1,629,213)
Total Capital Assets	

Governmental funds do not report capital assets because their focus is on available spendable resources. This represents the value of capital assets used in governmental activities and associated depreciation on those assets reported in the government-wide statements.

3,365,572

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.

14,514

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.

25,988

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	(265,739)
Accrued Interest on Bonds	(10,434)
Capital Leases	(36,113)
Compensated Absences	(44,459)
Unclaimed Property	(1,569)
Net OPEB Obligation	(12,885)
Pollution Remediation	(11,669)
Total Long-Term Liabilities	

Governmental funds do not report long-term liabilities but they are reported for Governmental Activities in the government-wide statements.

(382,868)

Net Assets of Governmental Activities

\$ 4,540,602

THE ABOVE STATEMENT APPEARS ON PAGE 37 OF THE SINGLE AUDIT REPORT.