

FY2014 SINGLE AUDIT OVERVIEW

Purpose

The following overview is intended to provide the GOAC with a general understanding of the different auditor's reports, management letters, financial statements and other information included in the FY2014 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 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 1-12) includes a financial overview, discussion of the State's economy and major initiatives, and the organizational structure for State government.
- The Financial Section (pages 13-163) 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 165-184) displays selected unaudited economic, financial trend and demographic information for the state.

Independent Auditor's Report

The Independent Auditor's Report issued by the Department of Legislative Audit (pages 13-15) provides unmodified 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 unmodified 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 consisting of a Statement of Net Position (pages 38-39) and a Statement of Activities (pages 40-41). The government-wide statements provide comprehensive information about the entire government, including all of the governmental funds, proprietary funds, component units, 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 Position 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 position).

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 South Dakota Finance Authority, South Dakota Housing Authority, South Dakota Value Added Finance Authority, Science and Technology Authority, South Dakota Ellsworth Development Authority, and, Higher Education.

Fund Financial Statements

Separate financial statements are provided for governmental funds (pages 42-45), proprietary funds (pages 46-49), and fiduciary funds (pages 50-51). Governmental funds include the general fund, special revenue, capital project, debt service and permanent funds. Proprietary funds include enterprise and internal service funds. Fiduciary funds include pension, private purpose trust and agency funds. A further description of the purpose and uses for these fund types is included on pages 57-58 in the notes to the financial statements.

Major governmental and enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into single columns. Additional combining statements for nonmajor funds and for component units can be found on pages 128-163. The Governmental Accounting Standards Board (GASB) established the criteria to be used in determining the major funds to be reported. 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 Position 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 are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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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.

Selected Financial Statements

Pages 8-11 of this handout provide selected financial statements from the Single Audit Report. I've included explanatory information about what is being presented in the statements and where to find additional note disclosures for certain account balances.

Schedule of Expenditures of Federal Awards

Pages 185-244 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 and federal loan program balances.

Internal Control and Compliance Reports

Pages 245-249 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 the Dept. of Education's Gaining Early Awareness and Readiness for Undergraduate Programs grant which had a qualified opinion. The report identified the findings associated with instances of noncompliance and deficiencies in internal controls over compliance.

Findings, Questioned Costs and Corrective Action Plans

Pages 251-294 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.

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In the fund financial statements, the governmental funds 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 where the proceeds are not already restricted, committed or assigned, 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 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.

Pages 5-6 provide additional detail on the fund balances reported as non-spendable, restricted, committed and assigned.

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The following table provides additional detail regarding the fund balances reported on the Governmental Fund Balance Sheet at June 30, 2014 (expressed in thousands):

	General	Trans- portation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Non-Major Special Revenue Funds	Total
Non-Spendable							
Inventory	\$ 2,492	\$ 16,953	\$ 144	\$	\$	\$ 2,159	\$ 21,748
Prepays	1,137	334	67			1,442	2,980
Permanent Fund Principal					341,732	130,396	472,128
Total Non-Spendable Fund Balances	<u>3,629</u>	<u>17,287</u>	<u>211</u>	<u>0</u>	<u>341,732</u>	<u>133,997</u>	<u>496,856</u>
Restricted							
Education				\$ 302,362	145,923	8,663	456,948
Health and Public Assistance						56,399	56,399
Law, Justice and Public Protection						10,729	10,729
Economic Development	1,271					75,074	76,345
Transportation		107,616					107,616
Agriculture and Natural Resources						92,871	92,871
Energy Conservation or Development						11,524	11,524
Game and Fish						7,450	7,450
Parks and Recreation						3,577	3,577
Public Buildings						276	276
Public Broadcasting						416	416
Railroads						46,634	46,634
Debt Service						40,393	40,393
Capital Projects						2,034	2,034
Other	6,993					6,969	13,962
Total Restricted Fund Balances	<u>8,264</u>	<u>107,616</u>	<u>0</u>	<u>302,362</u>	<u>145,923</u>	<u>363,009</u>	<u>927,174</u>
Committed							
Education						267	267
Health and Public Assistance						5,104	5,104
Law, Justice and Public Protection						12,524	12,524
Agriculture and Natural Resources						9,161	9,161
Environmental Cleanup						4,314	4,314
Energy Conservation or Development						3,688	3,688
Public Buildings						3,128	3,128
Railroads						194	194
Other						8,386	8,386
Total Committed Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,766</u>	<u>46,766</u>
Assigned							
Education	67,669					1,078	68,747
Higher Education	7,154						7,154
Health and Public Assistance	32,099		1,160			15,543	48,802
Law, Justice and Public Protection	4,783					10,622	15,405
Agriculture and Natural Resources	4,882					1,931	6,813
Tourism Promotion	2,835						2,835
Public Buildings	6,195					3,274	9,469
Economic Development	15,392						15,392
Other	8,012					731	8,743
Total Assigned Fund Balances	<u>149,021</u>	<u>0</u>	<u>1,160</u>	<u>0</u>	<u>0</u>	<u>33,179</u>	<u>183,360</u>
Unassigned Fund Balances *	159,403					(5,040)	154,363
Total Fund Balances	<u>\$ 320,317</u>	<u>\$ 124,903</u>	<u>\$ 1,371</u>	<u>\$ 302,362</u>	<u>\$ 487,655</u>	<u>\$ 571,911</u>	<u>\$ 1,808,519</u>

* This amount includes \$105,202,000 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, 2014 was \$105,202,000 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 its usage were not specific enough.

General Fund

Thirteen statutorily created accounts did not qualify as Special Revenue Funds and were required to be combined with the State's General Fund. Some of the primary reasons that funds do not qualify as special revenue funds are the lack of enabling legislation regarding a dedicated revenue source or dedicated use of the fund or the resources of the fund is predominately transfers from other funds rather than from a dedicated revenue source. As of June 30, 2014 the following equity balances were included within the State's General Fund (expressed in thousands):

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Fund Balance - June 30, 2014 as reported	\$ 320,317
Less: Statutorily Created Funds Combined with the General Fund	
Property Tax Reduction - assigned for Education	48,184
Tourism Promotion - assigned for Tourism Promotion	2,835
Investment Council Operating - assigned for Other	990
Private Activity Bond - assigned for Other	170
Teen Court - assigned for Other	36
Proof of Concept - assigned for Economic Development	446
Economic Development - assigned for Economic Development	894
Local Infrastructure Improvement - assigned for Economic Development	1,491
Workforce Education - assigned for Education	27
Tax Relief - unassigned	240
Building South Dakota - assigned for Economic Development and Education	21,107
Extraordinary Litigation Expense - assigned for Other	632
Unclaimed Property - unassigned	29
	243,236
Fund Balance - June 30, 2014 excluding GASB 54 combinations	<u>\$ 243,236</u>

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

In evaluating the contract between SDRC, Inc. and GOED, relating to the EB-5 program, it was determined the SDRC Indemnification Fund One Account should be reported in the State's General Fund. As of June 30, 2014 the following equity balances were included within the State's General Fund in (expressed in thousands):

Fund Balance - June 30, 2014 excluding GASB 54 combinations	\$ 243,236
Less: SDRC Funds Combined with the General Fund	
SDRC Indemnification Fund One Account - restricted for Economic Development	1,271
	1,271
Fund Balance - June 30, 2014 excluding all combinations	<u>\$ 241,965</u>

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In addition to the audit of the State's CAFR, the Department of Legislative Audit and Independent Public Accountant (IPA) firms perform audits of federal grants and some of the State's funds, boards and commissions and component units.

Single Audit

The federal Single Audit Act requires the annual audit of the State's federal grant programs. The implementing regulations establish the methodology of what the audit scope will be. The regulations provide a calculation which identifies the Type A grants as grants exceeding .3% of the total on the Schedule of Expenditures of Federal Awards (SEFA). Type A grants are required to be audited at least once every three years with Medicaid identified as a high-risk grant which is required to be audited every year. For FY2014 there were 28 Type A grant programs totaling \$2.2 billion (90.6%) of the \$2.4 billion reported on the State's SEFA, see Attachment A on page 12. All remaining grants that exceed .03% are considered Type B grants and are required to have risk assessments performed by the auditor. The auditor will test either one high-risk Type B grant for each low-risk Type A grant or one half of the high-risk Type B grants. The total population of Type A grants and Type B grants either audited once every three years or being assessed and potentially audited as high-risk Type B grants represents approximately 98% of the total reported on the SEFA.

Separately Issued Reports

The following additional audit reports were issued for fiscal year 2014. These reports can be found on the Department of Legislative Audit website.

Issued by Legislative Audit:

- REDI Fund
- Economic Development Finance Authority
- Building Authority
- Educational Enhancement Funding Corporation
- Science and Technology Authority
- South Dakota Pre-Existing Condition Insurance Plan
- Lottery
- South Dakota Investment Council

Issued by IPAs:

- Educational Telecommunications
- Soybean Research & Promotion Council
- Corn Utilization Council
- Wheat Commission
- Housing Development Authority
- Unemployment Insurance Fund
- Ellsworth Development Authority
- South Dakota Retirement System
- Board of Accountancy

Expenditures on State's Accounting System

For an additional perspective of the audit scope, Attachment B on pages 13-14 provides breakdowns of the expenditures recorded on the State's accounting system in FY2014.

**STATE OF SOUTH DAKOTA
STATEMENT OF NET POSITION
June 30, 2014
(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 65.

A breakdown of receivables appears in Note 4 on page 76.

Internal balances represent net receivables and payables between funds.

Most investments are managed by the Investment Council. Note disclosure on investments appears on pages 65-75.

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 79-83.

Liabilities are shown in order of maturity. A breakdown of what Accounts Payable and Other Liabilities represents is shown in the Notes on page 77.

The notes on pages 91-101 provide information on long-term liabilities including what they consist of and what the changes were during the year.

Restricted Net Position balances 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 and the S&PL 'trust' funds. The nonexpendable portion represents the principal amount held inviolate.

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

	Primary Government			Component Units	Housing Authority	Science & Tech	Higher Education	Nonmajor
	Governmental Activities	Business-Type Activities	Total					
Assets								
Cash and Cash Equivalents	\$ 915,877	\$ 204,946	\$ 1,120,823	\$ 363,456	\$ 122,309	\$ 29,293	\$ 207,282	\$ 4,572
Receivables (Net)	395,351	434,905	830,256	1,115,956	965,009	1,880	122,298	26,769
Due From Component Units	1,731	11	1,742					
Due From Primary Government			0	9,739	7,500		2,239	
Internal Balances	4,986	(4,986)	0					
Investments	889,815	149,229	1,039,044	1,045,221	610,579		433,193	1,449
Inventory	23,074	2,859	25,933	14,059	2,444	2,946	8,669	
Advances to Component Units	1,143	17,986	19,129	-	-	-	-	-
Other Assets	5,640	171	5,811	4,557	-	574	3,983	-
Assets Held for Resale			0	5,219	-	-	-	5,219
Restricted Assets:								
Cash and Cash Equivalents	1,275	27	1,302	81,099	-	-	81,082	17
Investments	20,168	559	20,727	72,659	-	-	66,043	6,616
Other		813	813	12,113	-	-	12,113	
Capital Assets:								
Land and Other Non-depreciable Assets	726,150	295	726,445	55,721	220	18,659	36,461	381
Infrastructure (net)	2,205,603		2,205,603					
Property, Plant and Equipment (net)	572,865	3,355	576,220	865,560	6,040	45,092	814,428	
Construction in Progress	294,137		294,137	106,269	-	9,680	73,123	23,466
Total Assets	6,057,815	810,170	6,867,985	3,751,628	1,714,101	108,124	1,860,914	68,489
Deferred Outflows of Resources								
Deferred Swap Outflow				18,394	18,394			
Deferred Forward Contract Outflow				216	216			
Deferred Outflow on Debt Refunding	5,341	6,742	12,083	1,290	1,290			
	5,341	6,742	12,083	19,900	19,900	-	-	-
Liabilities								
Accounts Payable and Other Liabilities	275,792	9,000	284,792	73,027	12,139	1,315	54,482	5,091
Due To Primary Government			0	1,742	37		1,705	
Due To Component Units	9,739		9,739		-			
Accrued Interest Payable	8,667	3,120	11,787	11,402	6,556		4,145	701
Unearned Revenue	62,412	2,496	64,908	8,847	-		8,847	
Noncurrent Liabilities:								
Due Within One Year	66,798	13,518	80,316	94,564	29,367	457	58,725	6,015
Due In More Than One Year	336,786	195,721	532,507	1,794,693	1,201,188	747	550,783	41,975
Total Liabilities	760,194	223,855	984,049	1,984,275	1,249,287	2,519	678,687	53,782
Net Position								
Net Investment in Capital Assets	3,673,267	3,650	3,676,917	593,114	(185)	72,795	519,083	1,421
Restricted For:								
Education	310,599		310,599					
Highways	114,482		114,482					
Railroads	46,634		46,634					
Law, Justice, Public Protection and Regulation	10,173		10,173					
Agriculture and Natural Resources	81,045		81,045					
Game and Fish	5,829		5,829					
Parks and Recreation	2,663		2,663					
Health and Public Assistance	9,868		9,868					
Economic Development	76,318		76,318					
Debt Service	32,917	99	33,016	410,618	401,212		4,406	5,000
Capital Projects	2,034		2,034					
HOME and NSP program				67,719	67,719			
Energy Conservation Programs	11,522		11,522					
Higher Education - Expendable			0	210,241			210,241	
Higher Education - Nonexpendable			0	354,360			354,360	
Funds held as Permanent Investments								
Expendable	192,412		192,412					
Nonexpendable	472,128		472,128					
Interim Lab			0	9,263		9,263		
Sanford Center for Science Education			0	6,577		6,577		
Other Purposes	14,516	813	15,329	27,335	15,968	11,367		
Unrestricted	246,555	588,495	835,050	109,753		5,603	95,864	8,286
Net Position	\$ 5,302,962	\$ 593,057	\$ 5,896,019	\$ 1,788,980	\$ 484,714	\$ 105,605	\$ 1,183,954	\$ 14,707

Net Assets of \$5,302,962 represents Total Assets of \$6,057,815 plus Deferred Outflow of Resources \$5,341 less Total Liabilities of \$760,194.

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

THE ABOVE STATEMENT APPEARS ON PAGES 38-39 OF THE SINGLE AUDIT REPORT

**STATE OF SOUTH DAKOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014
(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 11.

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	\$ 180,221	\$ 227,851	\$ 15,933	\$	\$ 63,563	\$	\$	\$ 63,563
Education - Elementary, Secondary and Vocational Schools	206,939	7,687	170,586		(28,666)			(28,666)
Education - State Support to Higher Education	219,341				(219,341)			(219,341)
Health, Human and Social Services	1,380,648	36,597	873,364		(470,687)			(470,687)
Law, Justice, Public Protection and Regulation	321,186	76,048	105,114		(140,024)			(140,024)
Agriculture and Natural Resources	152,666	77,514	40,670	12	(34,470)			(34,470)
Economic Resources	40,121	3,789	11,436		(24,896)			(24,896)
Transportation	473,323	6,979	365,538	1,504	(99,302)			(99,302)
Intergovernmental - Payments to School Districts	393,606				(393,606)			(393,606)
→ Intergovernmental - Revenue Sharing	161,564				(161,564)			(161,564)
Unallocated Interest Expense	9,198				(9,198)			(9,198)
Unallocated Depreciation	53				(53)			(53)
Total Governmental Activities	3,538,866	436,465	1,582,641	1,516	(1,518,244)	0		(1,518,244)
Business-Type Activities:								
Lottery	42,806	148,323	243			105,760		105,760
Clean Water State Revolving	9,879	6,019	19,575			15,715		15,715
Drinking Water State Revolving	9,352	4,327	9,392			4,367		4,367
Revolving Economic Development and Initiative	879	1,552	794			1,467		1,467
Unemployment Insurance	31,485	46,016	2,081			16,612		16,612
Second Injury	1,385	2,783	17			1,415		1,415
State Fair	3,016	2,528	14			(474)		(474)
Federal Surplus Property	4,887	5,062	8			183		183
Rural Rehabilitation	609	459	206			56		56
Prison Industries	2,409	2,584	33			208		208
Health Insurance Risk Pool	6,341	4,920	1,327			(94)		(94)
Professional and Licensing	7,567	7,927	214			574		574
Banking and Insurance	4,134	4,665	71			602		602
Other	3,330	3,185	19			(126)		(126)
Total Business-Type Activities	128,079	240,350	33,994	0	0	146,265		146,265
Total Primary Government	\$ 3,666,945	\$ 676,815	\$ 1,616,635	\$ 1,516	(1,518,244)	146,265		(1,371,979)
Component Units:								
Housing Authority	\$ 84,470	\$ 79,490	\$ 30,654	\$				\$ 25,674
Science and Technology Authority	20,539	287	16,005	2,030				(2,217)
Higher Education	710,477	422,680	144,993	10,601				(132,203)
Nonmajor	3,541	1,474	564	1,184				(319)
Total Component Units	\$ 819,027	\$ 503,931	\$ 192,216	\$ 13,815				(109,065)

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 78.

General Revenues:			
Taxes:			
Sales Taxes	858,001		858,001
Motor Fuel Taxes	136,395		136,395
Contractors Excise Taxes	93,746		93,746
Bank Card and Franchise Taxes	23,943		23,943
Other Taxes	311,397		311,397
Investment Earnings	142,003		142,003
State Support to Higher Education			219,341
Gain on Sale of Capital Assets	2,726		2,726
Miscellaneous	133,988		133,988
Additions to Endowments			16,160
Special items - OPEB elimination	17,619		9,911
Transfers	102,937	(102,937)	
Total General Revenues, Additions to Endowments and Transfers	1,822,755	(102,937)	1,702,199
Changes in Net Assets	304,511	43,328	347,839
Net Position - Beginning, as restated	4,998,451	549,729	5,548,180
Net Position - Ending	\$ 5,302,962	\$ 593,057	\$ 5,896,019
			\$ 1,788,980

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

**STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014
(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 128-163.

The cash reported in the General Fund includes \$105.2 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	\$ 281,201	\$ 99,510	\$	\$ 33,175	\$ 66,776	\$ 359,131	\$ 839,793
Restricted Cash	1,271					4	1,275
Investments	9,359			268,812	436,458	175,186	889,815
Restricted Investments						20,168	20,168
Receivables From:							
Taxes (net)	113,608	12,088				3,133	128,829
Interest and Dividends	1,466	258	2	800	1,632	1,531	5,689
Other Funds	43,888	2,150	140			4,179	50,357
Component Units	771	21				89	881
Other Governments	1,071	44,042	33,397			81,092	159,602
Loans and Notes (net)		433				64,593	65,026
Other (net)	8,182	101	8,261	446	370	17,498	34,858
Inventory	2,492	16,953	144			2,159	21,748
Advances to Component Units						1,143	1,143
Other Assets	1,137	334	67			1,442	2,980
Total Assets	\$ 464,446	\$ 175,890	\$ 42,011	\$ 303,233	\$ 505,236	\$ 731,348	\$ 2,222,164
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	\$ 79,702	\$ 43,910	\$ 37,311	\$ 871	\$ 1,881	\$ 36,885	\$ 200,560
Payable To:							
Other Funds	5,182	1,199	2,860		15,700	26,444	51,385
Component Units	7,674	75	164			1,768	9,681
Other Governments	13,131	3,557	130			62,351	79,169
Claims, Judgments and Compensated Absences	61	22	8			63	154
Deferred Revenue	32,644	2,224	167			16,798	51,833
Total Liabilities	138,394	50,987	40,640	871	17,581	144,309	392,782
Deferred Inflows of Resources:							
Unavailalbe Revenue	5,735					15,128	20,863
Total Deferred Inflows of Resources	5,735	0	0	0	0	15,128	20,863
Fund Balances:							
Nonspendable	3,629	17,287	211		341,732	133,997	496,856
Restricted	8,264	107,616		302,362	145,923	363,009	927,174
Committed						46,766	46,766
Assigned	149,021		1,160			33,179	183,360
Unassigned	159,403					(5,040)	154,363
Total Fund Balances	320,317	124,903	1,371	302,362	487,655	571,911	1,808,519
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 464,446	\$ 175,890	\$ 42,011	\$ 303,233	\$ 505,236	\$ 731,348	\$ 2,222,164

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 61-62 and 102-104.

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

**STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds

\$ 1,808,519

This is the fund equity reported for governmental funds on page 42.

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. These assets consist of:

Land and Construction in Progress	1,019,469
Infrastructure	3,655,948
Other Capital Assets	928,387
Accumulated Depreciation	<u>(1,836,206)</u>
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.

3,767,598

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 inflows of resources in the funds.

20,863

Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

40,555

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	(178,180)
Accrued Interest on Bonds	(8,667)
Capital Leases	(87,644)
Compensated Absences	(50,595)
Pollution Remediation	<u>(14,828)</u>
Total Long-Term Liabilities	

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

(339,914)

Net Position of Governmental Activities

\$ 5,297,621

THE ABOVE RECONCILIATION APPEARS ON PAGE 43 OF THE SINGLE AUDIT REPORT.

	Expenditures/ Disbursements/ Issuances	
Dept. of Education		
Child and Adult Care Food Program	\$ 9,007,221	*
Child Nutrition Cluster	40,096,084	*
Special Education Cluster	34,367,903	*
Title I Grants to Local Educational Agencies	41,690,114	*
Dept. of Education, Board of Regents		
Improving Teacher Quality State Grants	11,297,513	
Dept. of Environment & Natural Resources		
Capitalization Grants for Clean Water State Revolving Funds	251,447,192	
Capitalization Grants for Drinking Water State Revolving Funds	146,515,950	*
Dept. of Game, Fish & Parks		
Fish and Wildlife Cluster	11,542,502	
Dept. of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	15,645,102	*
Immunization Cooperative Agreements	12,258,506	
Dept. of Human Services		
Rehabilitation Services -Vocational Rehabilitation Grants to States	9,059,703	
Dept. of Labor and Regulation		
Unemployment Insurance	37,855,744	*
Dept. of Military		
National Guard Military Operations and Maintenance (O&M) Projects	17,119,793	
Dept. of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	54,226,965	
Dept. of Social Services		
TANF Cluster	20,805,926	*
Low-Income Home Energy Assistance	20,265,314	
Child Care Development Cluster	11,725,768	
Supplemental Nutrition Assistance Program Cluster	160,440,173	
Children's Health Insurance Program	14,986,369	*
Medicaid Cluster	505,019,655	*
Dept. of Transportation		
Airport Improvement Program	23,093,492	
Highway Planning and Construction Cluster	334,829,141	
Governor's Office of Economic Development, Housing Development Authority		
Community Development Block Grant Cluster	26,882,102	
Housing Development Authority		
Home Investment Partnerships Program	58,242,988	*
Section 8 New Construction and Substantial Rehabilitation	24,167,101	
Science & Technology Authority		
Lawrence Berkley National Lab contract	13,907,236	
Board of Regents		
Research and Development Cluster	46,119,119	*
Student Financial Aid Cluster	245,014,065	*
Type A Grant Programs	2,197,628,741	90.6%
Type B Grant Programs	226,857,161	9.4%
Total	<u>\$ 2,424,485,902</u>	

* Type A programs are required to be audited once every three years, these were audited in FY2014.

The following is a breakdown of the expenditures recorded on the State's accounting system.

	General	Federal	Other	Higher Ed Federal/Other	Total	Percent
Personal Services						
Employee Salaries	266,959,425.64	89,313,954.97	144,310,074.17	190,742,999.37	691,326,454.15	13.73%
Employee Benefits	86,396,505.55	29,043,245.14	48,844,395.53	46,340,530.14	210,624,676.36	4.18%
Total Personal Services	353,355,931.19	118,357,200.11	193,154,469.70	237,083,529.51	901,951,130.51	17.92%
Travel						
In-State Travel	5,803,780.69	3,017,638.47	5,359,077.16	4,620,177.83	18,800,674.15	0.37%
Out-Of-State Travel	1,158,075.36	764,539.70	1,444,706.55	11,804,817.75	15,172,139.36	0.30%
Total Travel	6,961,856.05	3,782,178.17	6,803,783.71	16,424,995.58	33,972,813.51	0.67%
Contractual Services						
Central Services/Services between State Agencies						
Central Service Billings	13,378,418.96	16,174,400.04	24,601,896.68	1,509,305.60	55,664,021.28	1.11%
Other Services between Agencies	113,941.59	187,912.38	245,679.93	116,151.00	663,684.90	0.01%
Purchased Professional and Technical Services						
Consulting - Management, Broker, Research	296,680.09	3,496,005.99	49,313,207.00	2,556,341.77	55,662,234.85	1.11%
Care of State Residents/Students	28,584,049.02	4,065,737.68	5,440,378.47	13,882,726.59	51,972,891.76	1.03%
Professional	5,461,943.69	12,159,637.88	17,841,857.43	8,561,360.07	44,024,799.07	0.87%
Technical	4,157,594.95	10,165,187.96	13,961,149.49	7,586,643.21	35,870,575.61	0.71%
Other Contractual and Consultant	14,754,421.22	22,036,418.43	36,269,676.91	33,022,922.40	106,083,438.96	2.11%
Property Services and Expenses						
Construction Services	348,226.87	336,495,800.91	77,565,151.44	3,849,257.87	418,258,437.09	8.31%
Debt Service Payments	67,247,331.51	-	368,998.84	15,268,842.89	82,885,173.24	1.65%
Utilities	12,734,046.42	2,836,712.96	4,622,039.74	6,009,251.03	26,202,050.15	0.52%
Repair and Maintenance Services	1,893,651.85	2,277,155.34	15,522,079.19	6,080,631.02	25,773,517.40	0.51%
Rentals	3,422,119.11	4,079,953.99	3,909,095.82	5,412,989.39	16,824,158.31	0.33%
Janitorial, Maintenance and Cleaning Services	3,290,299.14	1,742,760.47	4,127,973.71	841,190.66	10,002,223.98	0.20%
Other Purchased Services						
Communications - (BIT and Private)	6,489,061.55	2,163,725.02	11,151,243.27	2,505,894.19	22,309,924.03	0.44%
Advertising	353,274.85	2,063,226.00	15,652,870.94	4,103,040.11	22,172,411.90	0.44%
Insurance Other Than Employee Benefits	727,221.10	562,692.12	13,338,161.76	4,243,583.34	18,871,658.32	0.37%
Lottery	-	-	3,001,555.09	-	3,001,555.09	0.06%
Other	3,733,509.27	7,174,823.91	7,988,537.12	9,391,350.03	28,288,220.33	0.56%
Total Contractual Services	166,985,791.19	427,682,151.08	304,921,552.83	124,941,481.17	1,024,530,976.27	20.35%
Supplies and Materials						
Operating Supplies	5,405,831.28	2,992,958.26	4,850,041.90	12,813,698.13	26,062,529.57	0.52%
Merchandise Bought for Resale	14,374.99	12,001.92	8,437,842.03	10,982,800.87	19,447,019.81	0.39%
Maintenance and Repair Supplies	2,000,959.28	930,320.25	6,063,494.15	8,472,636.38	17,467,410.06	0.35%
Fuel Purchases	110,355.78	96,089.68	13,696,324.42	1,169,968.74	15,072,738.62	0.30%
Maintenance and Construction Supplies	80,371.76	122,965.22	12,436,066.83	126,700.95	12,766,104.76	0.25%
Vehicle Maintenance Supplies	800,851.74	500,588.31	5,934,246.40	317,818.07	7,553,504.52	0.15%
Postage	1,241,983.87	1,465,827.22	2,242,770.98	1,738,339.47	6,688,921.54	0.13%
Printing and Reference Supplies	957,731.54	706,649.42	1,556,899.33	3,024,629.50	6,245,909.79	0.12%
Office Supplies	1,081,551.56	707,771.70	1,245,051.11	2,307,185.16	5,341,559.53	0.11%
Other Supplies	451,207.29	366,684.61	1,852,480.02	2,215,316.88	4,885,688.80	0.10%
Total Supplies and Materials	12,145,219.09	7,901,856.59	58,315,217.17	43,169,094.15	121,531,387.00	2.41%

	General	Federal	Other	Higher Ed Federal/Other	Total	Percent
Grants and Subsidies						
Grants for Health Care or Insurance	307,973,257.53	444,504,474.92	12,685,543.61	1,207,889.63	766,371,165.69	15.22%
Grants to Other Governments	405,758,507.18	193,591,454.46	72,663,976.13	10,500.00	672,024,437.77	13.35%
Grants to Vendors and Non-Profits	43,148,820.58	116,231,917.97	29,145,303.61	14,827,332.31	203,353,374.47	4.04%
Grants to Individuals	26,325,199.81	39,503,669.14	10,343,402.49	5,094,365.69	81,266,637.13	1.61%
Grants - Other	16,107,643.97	23,239,783.34	429,883.90	2,168,122.33	41,945,433.54	0.83%
Grants to State Agencies	2,666,265.43	9,610,631.93	961,407.86	1,200,794.08	14,439,099.30	0.29%
Grants for Foster Care	2,279,350.57	1,217,139.91	170,392.50	-	3,666,882.98	0.07%
Total Grants and Subsidies	804,259,045.07	827,899,071.67	126,399,910.10	24,509,004.04	1,783,067,030.88	35.42%
Capital Outlay						
Buildings and Improvements	10,980,858.78	15,182,316.34	33,206,368.53	45,227,508.72	104,597,052.37	2.08%
Machinery and Equipment	2,559,711.90	2,536,623.05	19,159,145.77	18,489,355.16	42,744,835.88	0.85%
Computer Hardware	2,458,179.04	1,535,858.76	3,053,169.03	9,590,361.43	16,637,568.26	0.33%
Computer Software	857,623.82	977,376.82	3,922,258.81	3,467,381.54	9,224,640.99	0.18%
Vehicles	219.05	1,098,200.58	6,222,726.07	152,027.15	7,473,172.85	0.15%
Land and Improvements	707,392.50	142,740.59	522,532.76	302,564.32	1,675,230.17	0.03%
Improvements Other Than Land and Buildings	143,986.24	98,874.31	100,193.28	1,337,687.90	1,680,741.73	0.03%
Total Capital Outlay	17,707,971.33	21,571,990.45	66,186,394.25	78,566,886.22	184,033,242.25	3.66%
Other Expenditures						
Retirement Payments	-	-	450,408,980.24	-	450,408,980.24	8.95%
Higher Education - not classified	-	-	-	193,455,654.80	193,455,654.80	3.84%
Loss on Investment Principal	-	-	146,555,064.67	-	146,555,064.67	2.91%
Insurance, Worker's Compensation and Claims	-	1,406,767.19	123,594,353.03	-	125,001,120.22	2.48%
Lottery	-	-	32,034,878.09	-	32,034,878.09	0.64%
Interest Expense	133,149.19	11,749.54	12,104,294.32	12,408,021.69	24,657,214.74	0.49%
Unclaimed Property Payments	-	-	10,102,494.27	3,532.20	10,106,026.47	0.20%
Other Expenditures	30,886.21	372,794.50	1,645,410.33	1,012,154.81	3,061,245.85	0.06%
Total Other Expenditures	164,035.40	1,791,311.23	776,445,474.95	206,879,363.50	985,280,185.08	19.57%
Total Expenditures on State's Accounting System	1,361,579,849.32	1,408,985,759.30	1,532,226,802.71	731,574,354.17	5,034,366,765.50	100.00%