FY2015 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 FY2015 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 13-167) 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 169-188) 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

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 57-59 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 132-167. 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.

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 9-12 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 189-247 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 249-253 provide 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 255-295 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.

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.

The following table provides additional detail regarding the fund balances reported on the Governmental Fund Balance Sheet at June 30, 2015, (expressed in thousands):

	General	Trans-portation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor Governmental Funds	Total
Nonspendable							
Inventory	$ 2,291	$ 18,416	$ 17	$	$	$ 2,102	$ 22,826
Prepaids	1,620	288	146			1,361	3,415
Permanent Fund Principal					347,252	131,511	478,763
Total Non-Spendable Fund Balances	3,911	18,704	163	0	347,252	134,974	505,004
Restricted							
Education				305,395	149,877	8,970	464,242
Health and Public Assistance						59,835	59,835
Law, Justice, and Public Protection						19,060	19,060
Economic Development	1,637					54,716	56,353
Transportation		132,575					132,575
Agriculture and Natural Resources						91,809	91,809
Energy Conservation or Development						11,547	11,547
Game and Fish						9,030	9,030
Parks and Recreation						7,086	7,086
Public Buildings						328	328
Public Broadcasting						549	549
Railroads						42,873	42,873
Debt Service						35,366	35,366
Capital Projects						13,609	13,609
Other	8,842					7,088	15,930
Total Restricted Fund Balances	10,479	132,575	0	305,395	149,877	361,866	960,192
Committed							
Education						200	200
Health and Public Assistance						4,816	4,816
Law, Justice, and Public Protection						13,393	13,393
Agriculture and Natural Resources						8,368	8,368
Environmental Cleanup						5,053	5,053
Energy Conservation or Development						3,918	3,918
Public Buildings						4,024	4,024
Railroads						329	329
Other						11,018	11,018
Total Committed Fund Balances	0	0	0	0	0	51,119	51,119
Assigned							
Education	58,597					845	59,442
Higher Education	6,625						6,625
Health and Public Assistance	9,699		1,216			13,687	24,602
Law, Justice, and Public Protection	3,590					6,622	10,212
Agriculture and Natural Resources	4,540					2,108	6,648
Tourism Promotion	2,887						2,887
Public Buildings	8,961					2,413	11,374
Economic Development	13,693						13,693
Other	11,588					742	12,330
Total Assigned Fund Balances	120,180	0	1,216	0	0	26,417	147,813
Unassigned Fund Balances *	183,570					(3,624)	179,946
Total Fund Balances	$ 318,140	$ 151,279	$ 1,379	$ 305,395	$ 497,129	$ 570,752	$ 1,844,074

* This amount includes $126,737,000 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, 2015 was $126,737,000 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

Fourteen 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, 2015 the following equity balances were included within the State's General Fund (expressed in thousands):

Fund Balance - June 30, 2015 as reported	**$ 318,140**
Less: Statutorily Created Funds Combined with the General Fund	
Property Tax Reduction - assigned for Education	44,610
Tourism Promotion - assigned for Tourism Promotion	2,886
Investment Council Operating - assigned for Other	3,571
Private Activity Bond - assigned for Other	409
Teen Court - assigned for Other	11
Proof of Concept - assigned for Economic Development	202
Economic Development - assigned for Economic Development	1,072
Local Infrastructure Improvement - assigned for Economic Development	3,780
Workforce Education - assigned for Education	1,432
Tax Relief - unassigned	0
Building South Dakota - assigned for Economic Development, Education, and Health and Public Assistance	15,413
Extraordinary Litigation Expense - unassigned	(1,437)
Legislative Contingency Fund - unassigned	1,000
Unclaimed Property - unassigned	30
Fund Balance - June 30, 2015 excluding GASB 54 combinations	**$ 245,161**

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, 2015, the following equity balance was included within the State's General Fund (expressed in thousands):

The Immigrant Investor Program (EB-5 Program):

Fund Balance - June 30, 2015 excluding GASB 54 combinations	**$ 245,161**
Less: SDRC Funds Combined with the General Fund	
SDRC Indemnification Fund One Account - restricted for Economic Development	1,637
Fund Balance - June 30, 2015 excluding all combinations	**$ 243,524**

New Pension Reporting

For FY2015, the State implemented GASB Statements 68 and 71 which established standards for measuring and recognizing pension related liabilities, assets, deferred outflows of resources, deferred inflows of resources, expense/expenditures and revenues for pensions provided to its employees and requires the State to record its proportionate share of the net pension asset. The Notes to the Financial Statements beginning on page 83 provides information on the SDRS pension plan. Using a measurement date of June 30, 2014, the pension plan was 107% funded. The GASB required the State's proportionate share of the plan be recognized in the financial statements. The State's share of the assets is shown in the table below.

	State of South Dakota Proportionate Allocation 22.0687777%	Discretely Presented Component Units Proportionate Allocation 16.1998334%
Total Pension Liability	$ 2,181,961,102	$ 1,601,692,981
Plan Fiduciary Net Position	(2,340,957,620)	(1,718,406,156)
Net Pension Asset	**$ (158,996,518)**	**$ (116,713,175)**

The SDRS's collective pension asset was calculated using a discount rate of 7.25% through FY2017 and 7.50% thereafter. The following table was provided to show the effect if the discount rate was 1% higher or lower than the rate used.

	1% Decrease	Current Discount Rate	1% Increase
State's proportionate share of SDRS's net pension (asset) liability	$ 157,118,465	$ (158,996,518)	$ (416,821,282)
Discretely presented component units proportionate share of the net pension (asset) liability	115,334,676	(116,713,283)	(305,972,615)

FY2015 SINGLE AUDIT OVERVIEW

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, required to be audited every year. For FY2015 there were 30 Type A grant programs totaling $2.1 billion (91.2%) of the $2.3 billion reported on the State's SEFA, see Attachment A on page 13. 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 98.6% of the total reported on the SEFA.

Separately Issued Reports

The following additional audit reports were issued for fiscal year 2015. 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
- Lottery
- South Dakota Investment Council

Issued by IPAs:
- Educational Telecommunications
- Soybean Research & Promotion Council
- Corn Utilization Council
- Housing Development Authority
- Unemployment Insurance Fund
- Ellsworth Development Authority
- South Dakota Retirement System

Expenditures on State's Accounting System

For an additional perspective of the State's disbursements, Attachment B on pages 14-15 provides breakdowns of the expenditures recorded on the State's accounting system in FY2015.

STATE OF SOUTH DAKOTA
STATEMENT OF NET POSITION
June 30, 2015
(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 in shown in the Notes on page 77.

The notes on pages 96-107 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			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and Cash Equivalents	$ 1,024,698	$ 254,871	$ 1,279,569	$ 380,167
Receivables (Net)	403,707	429,345	833,052	982,834
Due From Component Units	1,065	33	1,098	
Due From Primary Government			0	6,915
Internal Balances	5,210	(5,210)	0	
Investments	823,688	195,428	1,019,116	1,045,061
Inventory	24,446	2,555	27,001	15,424
Advances to Component Units	1,413	22,276	23,689	
Other Assets	6,389	175	6,564	3,717
Assets Held for Resale			0	4,978
Restricted Assets:				
Cash and Cash Equivalents	1,428	2,841	4,269	85,285
Investments	20,080	552	20,632	81,389
Net Pension Asset	155,519	3,477	158,996	116,713
Other	216	701	917	13,189
Capital Assets:				
Land and Other Non-depreciable Assets	738,161	295	738,456	57,629
Infrastructure (net)	2,274,544		2,274,544	
Property, Plant and Equipment (net)	588,507	2,516	591,023	939,484
Construction in Progress	264,784		264,784	110,966
Total Assets	6,333,855	909,855	7,243,710	3,843,751
Deferred Outflows of Resources				
Deferred Swap Outflow	138,734	3,095	141,829	103,556
Deferred Forward Contract Outflow				11,984
Deferred Outflow on Debt Refunding	5,661	6,104	11,765	5,965
	144,395	9,199	153,594	121,505
Liabilities				
Accounts Payable and Other Liabilities	289,656	9,616	299,272	72,284
Due To Primary Government			0	1,098
Due To Component Units	6,915		6,915	
Accrued Interest Payable	5,977	4,032	10,009	9,918
Unearned Revenue	56,556	1,912	58,468	10,539
Noncurrent Liabilities:				
Due Within One Year	64,708	16,821	81,529	98,045
Due In More Than One Year	358,568	249,263	607,831	1,679,394
Total Liabilities	782,380	281,644	1,064,024	1,871,278
Deferred Inflows of Resources				
Deferred Inflow Related to Pensions	180,116	4,029	184,145	135,173
Deferred Forward Contract Inflow				43
Deferred Inflow on Gain on Debt Refinancing				18
Total Deferred Inflows of Resources	180,116	4,029	184,145	135,234
Net Position				
Net Investment In Capital Assets	3,713,057	2,810	3,715,867	628,963
Restricted For:				
Education	314,095		314,095	
Highways	140,540		140,540	
Railroads	42,873		42,873	
Law, Justice, Public Protection and Regulation	18,417		18,417	
Agriculture and Natural Resources	79,749		79,749	
Game and Fish	7,045		7,045	
Parks and Recreation	6,104		6,104	
Health and Public Assistance	12,207		12,207	
Economic Development	56,313		56,313	
Debt Service	28,341	99	28,440	426,458
Capital Projects	13,609		13,609	
HOME and NSP Program				70,431
Energy Conservation Programs	11,547		11,547	
Higher Education - Expendable			0	214,422
Higher Education - Nonexpendable			0	371,854
Funds held as Permanent Investments:				
Expendable	197,370		197,370	
Nonexpendable	478,763		478,763	
Pensions	114,133	2,545	116,678	85,095
Interim Lab			0	4,397
Mine Closure			0	1,379
Sanford Center for Science Education			0	3,830
Other Purposes	16,675	3,511	20,186	24,047
Unrestricted	264,916	624,416	889,332	127,868
Net Position	$ 5,515,754	$ 633,381	$ 6,149,135	$ 1,958,744

Net Position of $5,515,754 represents Total Assets of $6,333,855 plus Deferred Outflow of Resources $144,395 less Total Liabilities of $782,380 and Deferred Inflows of Resources of $180,116.

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, 2015
(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 respresents 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 – Primary Government: Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	$ 185,273	$ 244,728	$ 10,381	$	$ 69,836	$	$ 69,836	
Education - Elementary, Secondary and Vocational Schools	210,271	8,489	173,353		(28,429)		(28,429)	
Education - State Support to Higher Education	192,950				(192,950)		(192,950)	
Health, Human and Social Services	1,406,586	39,058	853,746	19,106	(494,676)		(494,676)	
Law, Justice, Public Protection and Regulation	279,097	85,252	63,296		(130,549)		(130,549)	
Agriculture and Natural Resources	140,921	76,994	40,767		(23,160)		(23,160)	
Economic Resources	74,004	1,611	7,670		(64,723)		(64,723)	
Transportation	507,300	9,007	344,329	2,840	(151,124)		(151,124)	
Intergovernmental - Payments to School Districts	404,909				(404,909)		(404,909)	
Intergovernmental - Revenue Sharing	169,514				(169,514)		(169,514)	
Unallocated Interest Expense	6,712				(6,712)		(6,712)	
Unallocated Depreciation	53				(53)		(53)	
Total Governmental Activities	3,577,590	465,139	1,493,542	21,946	(1,596,963)	0	(1,596,963)	
Business-Type Activities:								
Lottery	41,053	152,362	138			111,447	111,447	
Clean Water State Revolving	9,673	6,856	11,379			8,562	8,562	
Drinking Water State Revolving	8,651	4,197	14,305			9,851	9,851	
Revolving Economic Development and Initiative	450	1,013	708			1,271	1,271	
Unemployment Insurance	26,534	41,543	2,457			17,466	17,466	
Second Injury	1,891	8	20			(1,863)	(1,863)	
State Fair	3,264	2,867	29	2,810		2,442	2,442	
Federal Surplus Property	4,388	4,263	7			(118)	(118)	
Rural Rehabilitation	421	315	165			59	59	
Prison Industries	2,410	2,751	23			364	364	
Health Insurance Risk Pool	2,282	2,009	553			280	280	
Professional and Licensing	7,558	8,140	151			733	733	
Banking and Insurance	3,973	4,481	58			566	566	
Other	2,910	3,853	12			955	955	
Total Business-Type Activities	115,458	234,658	30,005	2,810	0	152,015	152,015	
Total Primary Government	$ 3,693,048	$ 699,797	$ 1,523,547	$ 24,756	(1,596,963)	152,015	(1,444,948)	
Component Units:								
Housing Authority	$ 76,989	$ 65,258	$ 27,906	$				$ 16,175
Science and Technology Authority	21,045	463	19,374	7,194				5,986
Higher Education	711,148	429,628	139,567	5,812				(136,141)
Nonmajor	6,658	3,469	582	1,333				(1,274)
Total Component Units	$ 815,840	$ 498,818	$ 187,429	$ 14,339				(115,254)
General Revenues:								
Taxes:								
Sales Taxes					871,402		871,402	
Motor Fuel Taxes					151,901		151,901	
Contractors Excise Taxes					101,678		101,678	
Bank Card and Franchise Taxes					20,669		20,669	
Other Taxes					331,649		331,649	
Investment Earnings					47,130		47,130	12,814
State Support to Higher Education								192,950
Gain on Sale of Capital Assets					1,198		1,198	
Miscellaneous					81,275		81,275	
Additions to Endowments								15,680
Transfers					113,558	(113,558)		
Total General Revenues, Additions to Endowments and Transfers					1,720,460	(113,558)	1,606,902	221,444
Changes in Net Position					123,497	38,457	161,954	106,190
Net Position - Beginning, as restated					5,392,257	594,924	5,987,181	1,852,554
Net Position - Ending					$ 5,515,754	$ 633,381	$ 6,149,135	$ 1,958,744

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 Activites, a negiative 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 actvities, 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.

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

THE ABOVE STATEMENT APPEARS ON PAGES 40-41 OF THE SINGLE AUDIT REPORT.

STATE OF SOUTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015
(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.

The cash reported in the General Fund includes $126.7 million in the Budget Reserve Fund.

To find additional detail on the Nonmajor funds, see the combining statements on pages 132-167.

Assets	General Fund	Transportation	Social Services Federal	Dakota Cement Trust	Education Enhancement Trust	Nonmajor	Total
Cash and Cash Equivalents	$ 275,909	$ 112,792	$ 8	$ 57,362	$ 108,740	$ 380,540	$ 935,351
Restricted Cash	1,421					7	1,428
Investments	11,282			247,366	404,373	160,667	823,688
Restricted Investments						20,080	20,080
Receivables From:							
Taxes, net	114,403	17,227				3,254	134,884
Interest and Dividends	1,214	236	2	772	1,515	1,627	5,366
Other Funds	43,785	1,319	5			5,631	50,740
Component Units	9	8				205	222
Other Governments	875	55,972	35,726			76,922	169,495
Loans and Notes, net		369				49,944	50,313
Other, net	12,182	165	11,643			17,945	41,935
Inventory	2,291	18,416	18			2,142	22,867
Advances to Component Units						1,413	1,413
Other Assets	1,620	288	146			1,361	3,415
Restricted Other Assets	216						216
Total Assets	$ 465,207	$ 206,792	$ 47,548	$ 305,500	$ 514,628	$ 721,738	$ 2,261,413
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts Payable and Other Liabilities	$ 95,437	$ 48,003	$ 40,558	$ 105	$ 462	$ 34,465	$ 219,030
Payable To:							
Other Funds	4,599	1,230	5,325		17,037	24,124	52,315
Component Units	5,204	98	90			1,490	6,882
Other Governments	12,954	4,104	131			61,477	78,666
Claims, Judgments and Compensated Absences	154	19	20			81	274
Deferred Revenue	28,330	2,046	45			14,100	44,521
Total Liabilities	146,678	55,500	46,169	105	17,499	135,737	401,688
Deferred Inflows of Resources:							
Unavailable Revenue	389	13				15,249	15,651
Total Deferred Inflows of Resources	389	13	0	0	0	15,249	15,651
Fund Balances:							
Nonspendable	3,911	18,704	163		347,252	134,974	505,004
Restricted	10,479	132,575		305,395	149,877	361,866	960,192
Committed						51,119	51,119
Assigned	120,180		1,216			26,417	147,813
Unassigned	183,570					(3,624)	179,946
Total Fund Balances	318,140	151,279	1,379	305,395	497,129	570,752	1,844,074
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 465,207	$ 206,792	$ 47,548	$ 305,500	$ 514,628	$ 721,738	$ 2,261,413

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 89-91.

THE ABOVE STATEMENT APPEARS ON PAGE 42 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 Position.

STATE OF SOUTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 1,844,074

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	1,001,392	
Infrastructure	3,761,358	
Other Capital Assets	971,171	
Accumulated Depreciation	(1,901,804)	
Total Capital Assets		3,832,117

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.

Net Pension Asset used in governmental activities is not a financial resource and is therefore not reported in the governmental funds.		144,677
Deferred outflows of resources are not reported in the governmental funds:		
Related to Pension	129,039	
Related to Debt Refunding	5,661	
		134,700
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.		61,742

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	(175,334)	
Accrued Interest on Bonds	(5,977)	
Capital Leases	(100,941)	
Compensated Absences	(52,411)	
Pollution Remediation	(14,986)	
Total Long-Term Liabilities		(349,649)

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

Deferred outflows of resources are not reported in the governmental funds:		
Revenues not available soon enough after year-end to pay for the current period's expenditures	15,651	
Related to Pensions	(167,558)	
		(151,907)
Net Position of Governmental Activities		$ 5,515,754

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

	Expenditures/ Disbursements/ Issuances		Last Audited
Dept. of Education			
Child and Adult Care Food Program	$ 9,140,553		FY2014
Child Nutrition Cluster	41,205,470		FY2014
Special Education Cluster	33,331,183		FY2014
Title I Grants to Local Educational Agencies	42,874,069		FY2014
Improving Teacher Quality State Grants	10,775,232		FY2014
Dept. of Environment & Natural Resources			
Capitalization Grants for Clean Water State Revolving Funds	256,642,429		FY2015
Capitalization Grants for Drinking Water State Revolving Funds	143,774,203		FY2014
Dept. of Game, Fish & Parks			
Fish and Wildlife Cluster	12,632,252		FY2013
Dept. of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	17,710,212		FY2014
Immunization Cooperative Agreements	11,566,645		FY2013
Dept. of Human Services			
Rehabilitation Services -Vocational Rehabilitation Grants to States	8,652,863		FY2013
Dept. of Labor and Regulation			
Unemployment Insurance	33,551,308		FY2015
Dept. of Military			
National Guard Military Operations and Maintenance (O&M) Projects	15,668,705		FY2013
Dept. of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	13,059,289		FY2013
Hazard Mitigation Grant	7,299,099		FY2015
Dept. of Social Services			
TANF Cluster	20,099,064		FY2014
Low-Income Home Energy Assistance	18,157,693		FY2015
Child Care Development Cluster	11,914,969		FY2015
Supplemental Nutrition Assistance Program Cluster	156,050,400		FY2015
Children's Health Insurance Program	16,021,623		FY2014
Medicaid Cluster	497,966,106		FY2015
Dept. of Transportation			
Airport Improvement Program	27,089,133		FY2013
Highway Planning and Construction Cluster	291,115,162		FY2015
Dept. of Veterans Affairs			
Grants to States for Construction of State Home Facilities	14,985,964		FY2015
Governor's Office of Economic Development, Housing Development Authority			
Community Development Block Grant Cluster	27,694,464		FY2013
Housing Development Authority			
Home Investment Partnerships Program	60,119,766		FY2015
Section 8 New Construction and Substantial Rehabilitation	24,099,736		FY2013
Science & Technology Authority			
Lawrence Berkley National Lab contract	14,345,923		FY2015
Board of Regents			
Research and Development Cluster	44,734,429		FY2014
Student Financial Aid Cluster	244,909,852		FY2014
Type A Grant Programs	**2,127,187,796**	**91.2%**	
Type B Grant Programs	**204,536,361**	**8.8%**	
Total	**$ 2,331,724,157**		

Type A programs are required to be audited once every three years with the exception of Medicaid which is required to be audited every year.

The following is a breakdown of the expenditures recorded on the State's accounting system, by expenditure classification and DLA grouping.

	General	Federal	Other	Higher Ed Federal/Other	Total FY2015	Percent	Comparison FY2014
Personal Services							
Employee Salaries	280,782,807.99	93,460,476.27	152,711,804.62	193,561,316.76	720,516,405.64	13.81%	691,326,454.15
Employee Benefits	85,078,586.13	28,367,319.64	49,019,421.23	45,169,226.46	207,634,553.46	3.98%	210,624,676.36
Total Personal Services	365,861,394.12	121,827,795.91	201,731,225.85	238,730,543.22	928,150,959.10	17.78%	901,951,130.51
Travel							
In-State Travel	5,741,818.49	2,998,728.10	5,297,725.17	4,360,514.82	18,398,786.58	0.35%	18,800,674.15
Out-Of-State Travel	1,000,347.80	806,380.22	1,403,419.19	12,835,243.06	16,045,390.27	0.31%	15,172,139.36
Total Travel	6,742,166.29	3,805,108.32	6,701,144.36	17,195,757.88	34,444,176.85	0.66%	33,972,813.51
Contractual Services							
Central Services/Services between State Agencies							
Central Service Billings	13,576,937.02	15,994,920.00	26,640,355.23	1,407,402.00	57,619,614.25	1.10%	55,664,021.28
Other Services between Agencies	194,930.17	210,561.02	230,193.71	182,943.33	818,628.23	0.02%	663,684.90
Purchased Professional and Technical Services							
Consulting - Management, Broker, Research	579,068.59	4,255,376.95	33,821,188.41	1,987,827.27	40,643,461.22	0.78%	55,662,234.85
Care of State Residents/Students	29,765,060.74	3,552,916.43	4,825,845.23	11,807,342.86	49,951,165.26	0.96%	51,972,891.76
Professional	6,224,597.16	11,962,995.72	19,119,141.78	8,885,771.37	46,192,506.03	0.89%	44,024,799.07
Technical	6,198,268.54	10,655,028.45	14,401,427.08	9,744,510.85	40,999,234.92	0.79%	35,870,575.61
Other Contractual and Consultant	16,155,751.87	23,863,554.28	43,517,890.18	30,665,271.30	114,202,467.63	2.19%	106,083,438.96
Property Services and Expenses							
Construction Services	936,231.69	296,655,372.28	87,168,911.09	13,659,181.38	398,419,696.44	7.63%	418,258,437.09
Debt Service Payments	11,198,089.89	-	360,188.94	16,407,904.96	27,966,183.79	0.54%	82,885,173.24
Utilities	12,435,835.27	2,798,035.40	4,431,643.33	7,338,374.70	27,003,888.70	0.52%	26,202,050.15
Repair and Maintenance Services	2,036,112.82	2,592,242.28	15,240,023.48	6,100,459.78	25,968,838.36	0.50%	25,773,517.40
Rentals	3,388,606.12	4,456,219.66	4,592,828.74	5,202,334.99	17,639,989.51	0.34%	16,824,158.31
Janitorial, Maintenance and Cleaning Services	3,403,282.18	1,824,282.46	4,148,234.02	1,737,927.89	11,113,726.55	0.21%	10,002,223.98
Other Purchased Services							
Communications - (BIT and Private)	6,005,813.57	2,012,239.30	12,532,688.47	2,284,019.66	22,834,761.00	0.44%	22,309,924.03
Advertising	570,596.52	2,339,161.41	15,800,937.31	4,043,632.77	22,754,328.01	0.44%	22,172,411.90
Insurance Other Than Employee Benefits	1,003,048.18	378,771.54	15,588,367.00	2,274,018.09	19,244,204.81	0.37%	18,871,658.32
Lottery	-	-	3,035,462.00	-	3,035,462.00	0.06%	3,001,555.09
Other	4,347,080.07	8,398,584.93	8,086,731.89	9,347,030.41	30,179,427.30	0.58%	28,288,220.33
Total Contractual Services	118,019,310.40	391,950,262.11	313,542,057.89	133,075,953.61	956,587,584.01	18.33%	1,024,530,976.27
Supplies and Materials							
Operating Supplies	4,745,937.57	2,695,870.41	6,363,646.56	14,360,253.76	28,165,708.30	0.54%	26,062,529.57
Merchandise Bought for Resale	17,822.24	4,644.17	7,258,112.51	7,789,909.33	15,070,488.25	0.29%	19,447,019.81
Maintenance and Repair Supplies	2,249,747.66	1,155,791.16	8,674,401.73	10,357,269.50	22,437,210.05	0.43%	17,467,410.06
Fuel Purchases	76,455.82	78,785.72	11,069,552.18	885,692.87	12,110,486.59	0.23%	15,072,738.62
Maintenance and Construction Supplies	166,663.15	182,572.36	13,429,442.30	171,224.44	13,949,902.25	0.27%	12,766,104.76
Vehicle Maintenance Supplies	604,190.05	443,154.45	5,440,104.79	226,141.20	6,713,590.49	0.13%	7,553,504.52
Postage	1,329,082.02	1,500,839.70	2,161,296.91	1,781,251.60	6,772,470.23	0.13%	6,688,921.54
Printing and Reference Supplies	899,184.60	699,112.83	1,773,510.92	2,931,905.49	6,303,713.84	0.12%	6,245,909.79
Office Supplies	1,126,857.15	733,201.54	1,244,902.79	2,218,781.26	5,323,742.74	0.10%	5,341,559.53
Other Supplies	508,978.27	349,670.03	1,717,874.72	1,980,264.58	4,556,787.60	0.09%	4,885,688.80
Total Supplies and Materials	11,724,918.53	7,843,642.37	59,132,845.41	42,702,694.03	121,404,100.34	2.33%	121,531,387.00

	General	Federal	Other	Higher Ed Federal/Other	Total FY2015	Percent	Comparison FY2014
Grants and Subsidies							
Grants for Health Care or Insurance	343,938,803.19	441,808,163.88	14,095,610.69	1,192,468.85	801,035,046.61	15.35%	766,371,165.69
Grants to Other Governments	415,097,320.78	176,634,327.40	107,471,889.06	20,800.77	699,224,338.01	13.40%	672,024,437.77
Grants to Vendors and Non-Profits	43,652,948.34	82,604,634.82	53,611,214.11	12,922,680.00	192,791,477.27	3.69%	203,353,374.47
Grants to Individuals	28,581,515.17	39,338,047.45	10,283,902.39	4,710,638.65	82,914,103.66	1.59%	81,266,637.13
Grants - Other	17,768,088.87	21,553,639.27	1,230,612.57	2,357,889.66	42,910,230.37	0.82%	41,945,433.54
Grants to State Agencies	3,896,566.54	12,995,644.84	834,980.75	2,465,509.49	20,192,701.62	0.39%	14,439,099.30
Grants for Foster Care	1,755,099.56	1,468,412.46	151,013.28	-	3,374,525.30	0.06%	3,666,882.98
Total Grants and Subsidies	854,690,342.45	776,402,870.12	187,679,222.85	23,669,987.42	1,842,442,422.84	35.30%	1,783,067,030.88
Capital Outlay							
Buildings and Improvements	20,042,492.86	18,169,064.63	59,094,906.50	40,606,830.34	137,913,294.33	2.64%	104,597,052.37
Machinery and Equipment	3,341,124.67	2,755,726.73	18,964,989.43	18,237,135.68	43,298,976.51	0.83%	42,744,835.88
Computer Hardware	1,708,647.33	1,397,296.85	3,429,208.48	9,864,748.08	16,399,900.74	0.31%	16,637,568.26
Computer Software	414,396.27	1,147,141.18	3,230,033.37	2,827,158.16	7,618,728.98	0.15%	9,224,640.99
Vehicles	-	493,116.02	6,053,833.02	301,110.07	6,848,059.11	0.13%	7,473,172.85
Land and Improvements	22,774.00	544,285.36	322,202.18	2,407,986.10	3,297,247.64	0.06%	1,675,230.17
Improvements Other Than Land and Buildings	756,499.17	-	170,353.85	2,101,684.12	3,028,537.14	0.06%	1,680,741.73
Total Capital Outlay	26,285,934.30	24,506,630.77	91,265,526.83	76,346,652.55	218,404,744.45	4.18%	184,033,242.25
Other Expenditures							
Retirement Payments	-	-	482,156,772.28	-	482,156,772.28	9.24%	450,408,980.24
Higher Education - not classified	-	-	-	206,062,169.84	206,062,169.84	3.95%	193,455,654.80
Loss on Investment Principal	-	-	230,017,072.30	-	230,017,072.30	4.41%	146,555,064.67
Insurance, Worker's Compensation and Claims	-	472,651.41	123,952,792.47	-	124,425,443.88	2.38%	125,001,120.22
Lottery Prizes	-	-	29,398,286.20	-	29,398,286.20	0.56%	32,034,878.09
Interest Expense	197,506.07	5,725.62	13,015,344.93	13,987,895.44	27,206,472.06	0.52%	24,657,214.74
Unclaimed Property Payments	-	-	15,706,992.26	4,003.73	15,710,995.99	0.30%	10,106,026.47
Other Expenditures	45,643.15	95,966.38	1,428,892.17	1,098,711.25	2,669,212.95	0.05%	3,061,245.85
Total Other Expenditures	243,149.22	574,343.41	895,676,152.61	221,152,780.26	1,117,646,425.50	21.41%	985,280,185.08
Total Expenditures on State's Accounting System	1,383,567,215.31	1,326,910,653.01	1,755,728,175.80	752,874,368.97	5,219,080,413.09	100.00%	5,034,366,765.50

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

Document Type	General	Federal	Other	Higher Ed	Total
Central Payroll	204,212,027.46	114,555,200.26	216,321,783.76		535,089,011.48
Central Service Document	22,541,419.48	19,897,125.35	35,528,355.55	5,263,584.98	83,230,485.36
DSS Warrant	370,199,699.26	505,671,540.86	5,358,001.17		881,229,241.29
DSS Drug Rebate Document	(15,838,740.50)	(17,904,970.64)			(33,743,711.14)
Higher Ed Document	185,534,361.81	284,500,704.34	-	438,375,727.42	908,410,793.57
Interagency Document	40,870,622.30	15,873,173.05	33,947,838.11	25,040,856.55	115,732,490.01
Purchase Card	1,193,268.54	1,032,387.58	3,928,210.97	1,496,050.28	7,649,917.37
SDIC Document			250,363,450.08		250,363,450.08
SDRS Document			482,515,764.29		482,515,764.29
Vender Payments	538,113,338.98	381,953,945.97	742,303,945.73	50.00	1,662,371,280.68
WIC Rebate Document		10,468,591.00	3,492,044.06		13,960,635.06
Wire Transfer	35,962,837.36	16,382,170.25	229,789,297.52	20,404,003.21	302,538,308.34
SPL School Apportionment			9,969,231.31		9,969,231.31
Other	778,380.62	(5,519,215.01)	4,693,281.99	(188,932.21)	(236,484.61)
	1,383,567,215.31	1,326,910,653.01	2,018,211,204.54	490,391,340.23	5,219,080,413.09