



First & Last Meeting
2008 Interim
November 17, 2008

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

Monday, November 17, 2008

The first meeting of the Bonding Committee was called to order by Chair Larry Tidemann at 1:25 p.m. (CT), November 17, 2008, in LCR 1 and 2 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members in attendance: Senators Julie Bartling, Bob Gray, Tom Hansen, Jim Hunstad, Jean Hunhoff; and Gil Koetzle; and Representatives Thomas Deadrick, Quinten Burg, Richard Engels, Kristi Noem, Gordon Pederson, Carol Pitts, J. E. "Jim" Putnam, and Larry Tidemann. Senator Gene Abdallah was excused.

Staff Members present included Fred Baatz, Principal Research Analyst, and Reta Rodman, Legislative Secretary.

(**NOTE:** All material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). For the purpose of continuity, these minutes are not necessarily in chronological order. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Minutes and Agendas.")

Opening Remarks

Representative Larry Tidemann, Chair, explained the process of receiving and accepting the bonding reports.

Reception of Annual Reports

South Dakota Housing Development Authority

Mr. Mark Lauseng, Executive Director, reviewed the Authority's annual Report (**Document #1**). He said that the Authority has issued \$200 million in bonds to support the First-time Homeowner Program. During FY2008, the South Dakota Housing Development Authority loaned more than \$294.7 million to 2,744 First-time Homeowner families in South Dakota. Mr. Lauseng reported that multifamily bonds in the amount of \$7,320,000 were issued to finance a multifamily project in Sioux Falls, South Dakota.

As of November 3, 2008, a total of 1,742 Governor's houses have been sold, 1,716 have been completed, 1,670 have been delivered, and 33 were under construction. In addition, 73 daycare units have been ordered, and 72 units have been delivered.

South Dakota Building Authority

Mr. Don Templeton, Executive Secretary, representing the South Dakota Building Authority, discussed the financings and construction projects in progress, and he acknowledged projects funded in 2008 (**Documents #2**). A general discussion was held on the various projects at Custer State Park and other locations across South Dakota.

South Dakota Health and Educational Facilities Authority

Mr. Don Templeton, representing the South Dakota Health and Educational Facilities Authority, discussed the Authority's annual report (**Document #3**). Mr. Templeton provided maps showing healthcare and educational projects funded. He also provided a chart displaying the projects financed, the amount of outstanding bonds, amount issued, and date of the issue.

South Dakota Conservancy District

Mr. Jim Feeney, representing the South Dakota Conservancy District, discussed the annual report of the Clean Water State Revolving Fund Program and the Drinking Water State Revolving Fund Program (**Document #4**). Mr. Feeney reported that as of June 30, 2008, the programs have provided 329 loans totaling \$502,435,657. He also reported on the 2008 bond issue for \$40,000,000.

Mr. Feeney said that the Department of Legislative Audit conducts annual financial audits of the two programs and EPA conducts a program audit. He also reported that the most recent audits did not note any substantive program or financial deficiencies.

South Dakota Value Added Financial Authority

Mr. Jon Farris, representing the South Dakota Value Added Financial Authority, reviewed the Authority's annual report (**Document #5**). Mr. Farris briefed the committee members on the Agribusiness Bond Program, Livestock Nutrient Management Bond Program, Beginning Farmer Bond Program, and Value Added Agribusiness Relending Program.

Mr. Farris included in the annual report a list of the Value Added Finance Authority's bond issues and direct loans closed by year. He also included in the details the addresses and names of the applicants, bond and loan amount, and interest rates.

South Dakota Economic Development Finance Authority

Mr. Michael Youngberg, representing the South Dakota Economic Development Finance Authority, reviewed the Authority's annual report (**Document #6**) and 2008 bond issues. He reported that the controls were not adequate to ensure the accuracy of amounts in the financial statements including the identification and correction of reporting errors and omissions. As a result of the Authority not having adequate controls to ensure the accuracy of amounts reported on the financial statements, there existed an increased exposure to

inaccurate financial reporting as discovered during an audit performed by Legislative Audit. The recommendation was to have the Authority implement internal control procedures to identify and correct reporting errors and omissions and ensure the accuracy of amounts reported in the financial statements.

In response to these findings, GOED has purchased a new Financial Accounting Loan Portfolio System and contracted a CPA firm to provide accounting services.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE PITTS, THAT THE BONDING COMMITTEE RECEIVE AND ACCEPT THE SOUTH DAKOTA BONDING AUTHORITY REPORTS GIVEN INTO RECORD. The motion prevailed unanimously on a voice vote.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY REPRESENTATIVE NOEM THAT THE BONDING COMMITTEE ADJOURN. The motion prevailed unanimously on a voice vote.

The committee adjourned at 2:20 p.m.



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