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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

The Honorable M. Michael Rounds
Governor of South Dakota

Members of the Legislature
State of South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Dakota as of and for the fiscal year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents and have issued our report thereon dated March 31, 2010. Those financial statements are the responsibility of the State's management. Our responsibility was to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Unemployment Insurance Fund, the South Dakota Retirement System, the South Dakota Housing Authority and certain foundations of Higher Education. Those financial statements reflect total assets and revenue and additions of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information as follows:

	<u>Percent of Total Assets</u>	<u>Percent of Total Revenues/Additions</u>
Government-wide financial statements:		
Business-type activities:		
Unemployment Insurance Fund	2.3%	17.0%
Fund financial statements:		
Aggregate discretely presented component units:		
South Dakota Housing Authority	63.6%	17.2%
Foundations of Higher Education	9.5%	9.0%
Aggregate remaining fund information:		
Unemployment Insurance Fund	.2%	1.0%
South Dakota Retirement System	82.9%	47.9%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

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

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

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is stylized with a large, looped initial "M" and a long, sweeping underline.

Martin L. Guindon, CPA
Auditor General

March 31, 2010