

South Dakota

EDFA

Economic Development
Finance Authority

June 30, 2009 Annual
Financial Report



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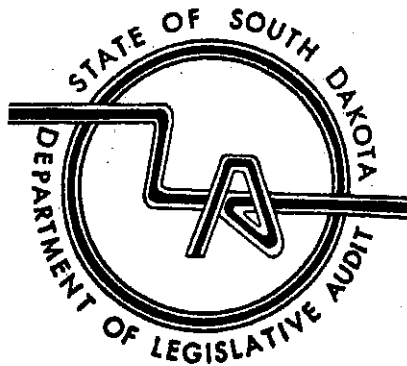
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
SOUTH DAKOTA

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**SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY**

AUDIT REPORT

Fiscal Year Ended June 30, 2009



**State of South Dakota
Department of Legislative Audit
427 South Chapelle
%500 East Capitol
Pierre, SD 57501-5070**

Loan Portfolio

Economic Development Finance Authority Activity Loans Approved Fiscal Year 2009

APEX Fund

COMPANY	APEX FUND PROJECTED JOBS*	TOTAL LOAN AMOUNT	PROJECT AMOUNT	COMMUNITY
Anderson Industries, LLC	16	\$187,000	\$305,250	Webster
Berg Properties, LLC	6	\$136,500	\$182,000	Humboldt
Enclose Manufacturing, Inc.	9	\$109,800	\$305,000	Mitchell
Exemplar Genetics, LLC	1	\$237,500	\$572,735	Flandreau
First Manufacturing, LLC	7	\$172,500	\$230,000	Humboldt
Lomar Development Co., LLP	10	\$237,500	\$776,600	Mitchell
<hr/>				
FY 2009 Total: 6 loans	49	\$1,080,800	\$2,371,585	

EDFA Bonds

COMPANY	BOND FUND PROJECTED JOBS*	TOTAL LOAN AMOUNT	PROJECT AMOUNT	COMMUNITY
Angus Palm Industries, Inc	70	\$3,000,000	\$4,508,600	Watertown
<hr/>				
FY 2009 Total: 1 loan	70	\$3,000,000	\$4,508,600	

* Full-time equivalent jobs to be created within three years after loan closing.



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

October 28, 2009

Terry Nelson
Economic Development Finance Authority Board
Capital Lake Plaza
711 Wells Avenue
Pierre, SD 57501

Dear Mr. Nelson:

This letter is intended to inform you of matters that must be formally communicated to management in accordance with *Government Auditing Standards*.

As a part of performing the Statewide Single Audit of the State of South Dakota for the fiscal year ended June 30, 2009, we are required to communicate to your agency in the form of written comments the following items which will be included in the final audit report along with your corrective action plan:

1. Material weaknesses and significant deficiencies in internal controls.
2. Violations of laws, rules and regulations, and provisions of contracts or grant agreements which have a direct and material effect on the determination of financial statement amounts.
3. Other violations of state laws, rules and regulations, and provisions of contracts determined to be qualitatively significant.

There were no written comments issued to your agency

Government Auditing Standards also require that we provide you with a management letter to communicate:

1. Deficiencies noted in internal control which did not rise to the level of being a material weakness or a significant deficiency. These include immaterial deficiencies noted in internal control over major programs and financial reporting which are not clearly inconsequential, considering both quantitative and qualitative factors.
2. Immaterial violations of laws, rules and regulations, and provisions of contracts or grant agreements, or instances of abuse which are not clearly inconsequential, considering both quantitative and qualitative factors.

3. All unadjusted proposed audit adjustments to the financial statements which were not corrected, including the nature, amount and effect of the uncorrected misstatements. These adjustments have been determined by management to be immaterial, both individually and in the aggregate, to the financial statements referred to above.

The remaining sections of this letter address these less significant matters.

Deficiencies Noted in Internal Control

1. Controls over financial reporting could be improved. The following errors were identified during the audit.
 - a. Two investments were misclassified as long-term (when it should have been short-term) and short-term (when it should have been long-term). The net effect of the classification error was \$2,519.90.
2. The quarterly report of IRP/RDLF Lending Activity for the quarter ending June 30, 2009 was misstated. It was determined that the amount reported as the principal of loans disbursed was incorrect. The full amount of the loans disbursed during the quarter (\$136,500) should have been included as disbursed, but the Authority reported only the revolving fund portion (\$34,125). According to the applicable report guidance (preparation instructions), the principal of loans disbursed should include the total amount of loans disbursed *including* the revolving fund portion. The overall effect was an under reporting of net lending for the period. Furthermore, the Authority misstated the amount reported as income on the report by \$371.12. The amount of income should include interest income from loan recipients and investment income. The amount reported did not include the amount of investment interest income collected by First National Bank.

Uncorrected Proposed Audit Adjustments to the Financial Statements

1. Contractual expenditures were overstated on the financial statements by \$10,656.28 due to expenses not paid by the Finance Authority being included in the statements.

If you have any questions, please contact me.

Sincerely,

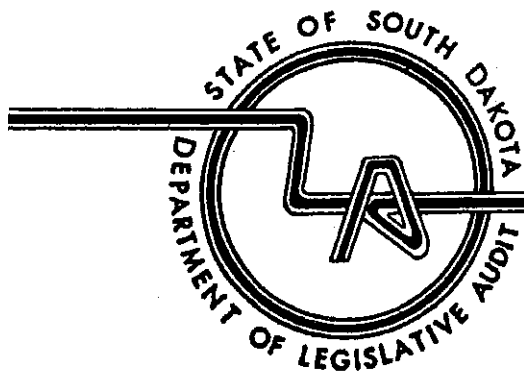


Robert Christianson
Audit Manager

CC: Marty Davis, GOED
Michael Youngberg, GOED

**SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

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

The Honorable M. Michael Rounds
Governor of South Dakota

and

Board of Directors
South Dakota Economic Development Finance Authority

We have audited the financial statements of the South Dakota Economic Development Finance Authority as of and for the fiscal year ended June 30, 2009 and have issued our report thereon dated October 28, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Dakota Economic Development Finance Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Dakota Economic Development Finance Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Dakota Economic Development Finance Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

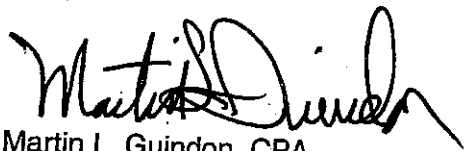
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Dakota Economic Development Finance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

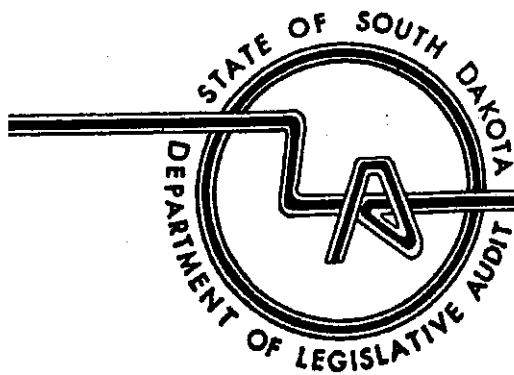
We noted certain matters that we reported to management of the South Dakota Economic Development Finance Authority in a separate letter dated October 28, 2009.

This report is intended solely for the information and use of management, members of the South Dakota Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

October 28, 2009



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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable M. Michael Rounds
Governor of South Dakota

and

Board of Directors
South Dakota Economic Development Finance Authority

We have audited the accompanying financial statements of the South Dakota Economic Development Finance Authority, a business-type activity component unit of the State of South Dakota, as of and for the year ended June 30, 2009, as listed in the Table of Contents. These financial statements are the responsibility of the South Dakota Economic Development Finance Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

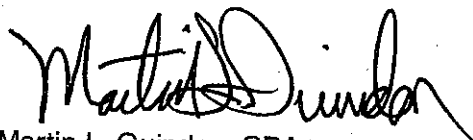
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The South Dakota Economic Development Finance Authority's financial statements do not disclose an allowance for loan loss in relation to loans receivable reported for the pooled bond program. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of an allowance for loan loss as discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Economic Development Finance Authority, as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 6 through 7 are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of the South Dakota Economic Development Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Martin L. Guindon, CPA
Auditor General

October 28, 2009

ECONOMIC DEVELOPMENT FINANCE AUTHORITY

PRIOR AUDIT FINDINGS

State Audit Finding:

Finding No. 04001200802:

Controls were not adequate to ensure the accuracy of amounts reported in the financial statements including the identification and correction of reporting errors and omissions.

Auditee's Corrective Action Plan:

Recommendation was implemented.

Federal Compliance Audit Finding:

Finding No. 04001200803:

Controls in place were not adequate to ensure that the information contained in Federal reports was accurate.

Auditee's Corrective Action Plan:

Recommendation was implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Economic Development Finance Authority's (EDFA) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2009. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements, and notes to the financial statements.

Financial Highlights as of June 30, 2009

- Total assets of the EDFA increased \$1,818 (or less than 0.01%) primarily due to the increase in cash and investments approximated the amount paid on loans receivable for the year ending June 30, 2009.
- Total liabilities of the EDFA decreased \$464,620 (or 1.63%) primarily due to the annual payment on pool loan bonds.

Changes in Assets and Liabilities

	FY 2008	FY 2009	Increase (Decrease)	% Increase (Decrease)
Assets:				
Cash and Cash Equivalents	\$ 1,839,386	\$ 2,135,592	\$ 296,206	16.10%
Investments	9,239,781	9,908,901	669,120	7.24%
Loans Receivable	26,072,911	25,113,028	(959,883)	(3.68%)
Allowance for Uncollectible Loans	(160,018)	(160,018)	0	0.00%
Other	63,438	59,813	(3,625)	(5.71%)
Total Assets	37,055,498	37,057,316	1,818	0.00%
Liabilities:				
Amounts Held in Custody for Others	113,783	113,689	(94)	(0.08%)
Bonds Payable	895,000	1,065,000	170,000	18.99%
Accrued Payable	324,928	343,992	19,064	5.87%
Other	2,800,278	3,216,285	416,007	14.86%
Loan Escrow Payable	1,680,576	1,675,979	(4,597)	(0.27%)
Noncurrent Bonds Payable	22,605,000	21,540,000	(1,065,000)	(4.71%)
Total Liabilities	28,419,565	27,954,945	(464,620)	(1.63%)
Restricted Net Assets	7,262,299	7,262,299	(10,951)	(0.15%)
Unrestricted Net Assets	1,373,634	1,840,073	477,390	34.75%
Total Net Assets	\$ 8,635,933	\$ 9,102,372	\$ 466,439	5.40%

Change in Net Assets

	FY 2008	FY 2009	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Interest Income on Loans	\$ 942,748	\$ 1,435,573	\$ 492,825	52.28%
Investment Income	570,134	403,087	(167,047)	(29.30%)
Total Revenues	1,512,882	1,838,660	325,778	21.53%
Expenses:				
Interest Expense	1,040,888	1,278,854	237,966	22.86%
Contractual Services	77,769	88,334	10,565	13.59%
Refund to Institution	0	5,033	5,033	NA
Total Expenses	1,118,657	1,372,221	253,564	22.67%
 Change in Net Assets	 \$ 394,225	 \$ 466,439	 \$ 72,214	 18.32%

- The EDFA approved \$1,318,300 in APEX (Agricultural Processing and Exporting) Loans during FY 2009 compared to \$556,250 in approved loans during FY 2008.

This report is presented to provide additional information regarding the operations of the EDFA and to meet the requirements of GASB No. 34.

**SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009**

Assets	
Current Assets:	
Cash and Cash Equivalents (Note 2)	\$ 1,546,453
Restricted Cash & Cash Equivalents (Note 2)	589,139
Investments (Note 2)	1,858,517
Restricted Investments (Note 2)	3,165,480
Investment Interest Receivable	57,152
Loan Interest Receivable	113,957
Loans Receivable (Note 3)	1,450,836
Total Current Assets	<u>8,781,534</u>
Noncurrent Assets:	
Investments (Note 2)	1,320,072
Loans Receivable (Net of Allowance for Loan Loss) (Note 3)	23,388,217
Restricted Investments (Note 2)	3,507,680
Deferred Charges	59,813
Total Noncurrent Assets	<u>28,275,782</u>
Total Assets	<u>37,057,316</u>
Liabilities	
Current Liabilities:	
Accounts Payable	10,951
Accrued Interest Payable	333,041
Due To Other Governments (Note 6)	135,676
Bonds Payable (Note 4)	1,065,000
Amounts Held in Custody for Others	113,689
Total Current Liabilities	<u>1,658,357</u>
Noncurrent Liabilities	
Due to Other Governments (Note 6)	3,080,608
Long Term Loan Escrow Payable	1,675,979
Bonds Payable (Note 4)	21,540,000
Total Noncurrent Liabilities	<u>26,296,587</u>
Total Liabilities	<u>27,954,944</u>
Net Assets	
Restricted for Debt Service (Note 1)	7,262,299
Unrestricted	<u>1,840,073</u>
Total Net Assets	<u>\$ 9,102,372</u>

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

**SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2009**

Operating Revenue:	
Interest Income on Loans	\$ 1,435,573
Total Operating Revenue	<u>1,435,573</u>
Operating Expenses:	
Contractual Services	88,334
Interest Expense	1,278,854
Refund to Institution	5,033
Total Operating Expenses	<u>1,372,221</u>
Operating Income	63,352
Nonoperating Revenue:	
Investment Income	403,087
Total Nonoperating Revenue	<u>403,087</u>
Change in Net Assets	466,439
Net Assets At Beginning of Year	<u>8,635,933</u>
Net Assets at End of Year	<u>\$ 9,102,372</u>

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

**SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009**

Cash Flows from Operating Activities:		
Receipts for Bond Repayments	\$ 2,193,808	
Receipts for Loan Repayments	935,572	
Payments to Loan Recipients	(733,926)	
Payments for Contractual Services	(89,331)	
Other Payments	(5,032)	
Net Cash Used by Operating Activities	<u>(5,032)</u>	2,301,091
Cash Flows from Noncapital Financing Activities:		
Proceeds from Loans	550,500	
Principal Paid on Revenue Bonds	(895,000)	
Interest Payments on Loans, Bonds and Notes	(1,255,328)	
Principal Paid on Loans to Rural Development	(134,333)	
Net Cash Provided by Noncapital Financing Activities	<u>(134,333)</u>	(1,734,161)
Cash Flows from Investing Activities:		
Proceeds from Sales and Maturities of Investment Securities	6,769,997	
Investment Income	300,250	
Purchase of Investment Securities	(7,340,971)	
Net Cash Used by Investing Activities	<u>(7,340,971)</u>	(270,724)
Net Increase in Cash and Cash Equivalents During the Fiscal Year		296,206
Cash and Cash Equivalents at Beginning of Year		1,839,386
Cash and Cash Equivalents at End of Year		<u>\$ 2,135,592</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)		\$ 63,352
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Interest Expense	1,279,642	
Amortization Expense	3,625	
Decrease/(Increase) in Assets:		
Loan Interest Receivable	(36,024)	
Loans Receivable	995,906	
Increase/(Decrease) in Liabilities:		
Accounts Payable	(718)	
Loan Escrow Payable	(4,597)	
Amounts Held for Others	(95)	
Total Adjustments		2,237,739
Net Cash Provided (Used) by Operating Activities		<u>\$ 2,301,091</u>

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

**SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Authorizing Legislation

Executive Order 87-1 established the South Dakota Economic Development Finance Authority. The Authority was established for the purpose of making loans to businesses for the acquisition and construction of land, buildings, machinery, and equipment to spawn economic growth. The Authority is authorized by South Dakota Codified Law to issue negotiable notes and bonds in such principal amounts as it determines necessary to provide sufficient funds for achieving any of its corporate purposes. The total outstanding amount of such notes and bonds shall not exceed three hundred million dollars at any time. No obligation issued by the Authority shall constitute debt or liability or obligation of the State of South Dakota or any political subdivision or a pledge of the faith and credit of the state or any political subdivision. The Authority is a business-type activity component unit of the State of South Dakota and, as such, the accompanying financial statements are included in the Comprehensive Annual Financial Report of the State of South Dakota.

B. Fund Accounting

The Authority is accounted for as an enterprise fund. Enterprise funds are used to account for activities for which a fee is charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from fees.

C. Basis of Accounting

The Authority is reported on the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and expenses are recognized when they are incurred. The Authority follows all Governmental Accounting Standards Board (GASB) pronouncements and those Financial and Accounting Standards Boards Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

D. Cash and Cash Equivalents

This account includes cash and investments with original maturities of ninety days or less. Cash and cash equivalents reported in the Statement of Cash Flows represent all investments with an original maturity of ninety days or less.

E. Investments

Investments are reported at fair value. Unrealized gains and losses due to fluctuations in market value are included in investment income.

F. Loan Escrow Payable

All bond issues require that 10 percent of the original principal amount of the bond or the largest principal and interest payment for any one year be deposited into the Loan Escrow Payable. Amounts accumulating in excess of the Loan Escrow Payable requirements are applied toward borrower principal and interest payments.

G. Amounts Held In Custody for Others

Represents assets that actually belong to the borrower but are maintained by the Authority in Project Fund Accounts. Moneys in these accounts are used to pay administrative expenses.

H. Restricted Net Assets

The bond indentures provide that certain reserve accounts be established. The reserve accounts, as of June 30, 2009, are comprised of restricted net assets as follows:

Capital Reserve Account	\$ 5,000,000
Loan Reserve Accounts	2,262,299
Total Restricted Net Assets	<u>\$ 7,262,299</u>

The pooled bond issues require amounts to be deposited into the Capital Reserve Account. The money on deposit in the Capital Reserve Account is irrevocably pledged to the payment of all outstanding bonds and interest, only when and to the extent that other moneys are not available. The amount on deposit in the Capital Reserve Account must be equal to at least 12.5 percent of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred to any state fund to be used for other purposes.

The First Amended and Restated General Bond Resolution requires 10% of the bond principal amount or the largest principal and interest payment due in any current or future year to remain deposited in the Loan Reserve Accounts until the loan is paid in full.

I. Conduit Debt Obligations

The Finance Authority issues pooled and stand alone bond issues. A pooled bond issue is secured by the Authority's Capital Reserve Account. A stand alone issue is based solely on the credit of the borrower and the Authority acts only as a conduit to the financing.

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by state government for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The state has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of June 30, 2009, the aggregate amount of stand-alone bond principal outstanding was \$26,768,538. The original issue amount of stand-alone bonds totaled \$30,870,000.

J. Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

K. Revenue and Expense Recognition

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's principal ongoing operations. The Authority records all revenues derived from investments and interest on loans as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its purpose. Operating expenses include interest expense, grants and subsidies, and contractual service expenses related to the administration of the Authority's programs.

2. CASH AND INVESTMENTS

Under the terms of the General Bond resolution of the 1998A&B, 1999, 2003A, 2004A, 2004B, 2005A and 2008 pooled bond issues, the Authority is generally restricted to investments in direct obligations of the federal government and of any agency or instrumentality of the United States of America; debt obligation guaranteed by the federal government; bank instruments collateralized by debt obligations guaranteed by the federal government; and shares of an investment company whose investments are in debt obligations guaranteed by the federal government. The funds associated with the 1998A&B, 1999, 2003A, 2004A, 2004B, 2005A and 2008 pooled bond issues can also be invested in notes, bonds or indentures issued by a corporation organized under the laws of one of the states of the United States of America, provided they are rated in one of the two highest rating categories.

Custodial Credit Risk:

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value on investment securities that are in the possession of an outside party. The investment securities totaling \$8,537,349 were uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Authority's name.

Restricted and Unrestricted Cash and Investments:

A portion of the total reported cash and investments are restricted resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt services payments. Cash and investments are broken down as follows:

Unrestricted Cash and Investments	<u>Fair Value</u>
	\$ 4,725,042
Restricted Cash and Investments – Capital Reserve Account and Loan Reserve Accounts	<u>7,262,299</u>
Total Cash and Investments	<u>\$ 11,987,341</u>

Interest Rate Risk:

The EDFA limits the maturities of investments for its restricted accounts (all accounts other than the General Account) to terms of two years or less from the date of investment. As of June 30, 2009 the EDFA had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury Bills	\$ 1,199,208	\$ 1,199,208	\$	\$
U.S. Treasury Strips	55,572		55,572	
U.S. Government Agencies*	5,146,974	2,502,274	2,644,700	
Certificates of Deposit	3,449,995	1,325,034	2,124,961	
Total	<u>\$ 9,851,749</u>	<u>\$ 5,026,516</u>	<u>\$ 4,825,233</u>	<u>\$ 0</u>

* = U.S. Government Agency securities include Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Federal Home Loan Mortgage Global (FHLMG).

Credit Risk:

The Investment Management Policy of the EDFA limits investments in Corporate Bonds to those rated in either of the two highest rating categories by either Moody's Investors Service or Standard & Poor's Corporation.

As of June 30, 2009, the EDFA had the following investments, excluding those issued by or explicitly guaranteed by the U.S. Government, which are not considered to have credit risk.

<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
AAA	\$ 5,146,974

3. LOANS RECEIVABLE

Change in loans receivable for the year ending June 30, 2009 consisted of the following:

Beginning Balance	\$ 25,994,978
New APEX Program Loans	733,926
Principal Payment – Loans	(972,500)
Principal Payment – APEX	<u>(757,333)</u>
Loans Receivable – Before Allowance	24,999,071
Allowance for Loan Loss applicable to the APEX Loan Program	<u>(160,018)</u>
TOTAL LOANS RECEIVABLE – Net of Allowance	<u>\$ 24,839,053</u>

The Agricultural Processing and Export (APEX) Program was created in 1988 when loans (Note 6) from Rural Development, and Revolving Economic Development and Initiative Fund were issued to the Economic Development Finance Authority. The APEX loan program is structured to encourage processors to add value to South Dakota's raw agricultural products, export them outside the state, and to locate industry in rural communities.

4. LONG-TERM DEBT

Tax exempt debt in the form of revenue bonds was issued by the Authority. The following represents the changes in revenue bonds for the pooled bond program as of June 30, 2009:

Beginning Balance	\$ 23,500,000
Bonds Issued	0
Bonds Retired	<u>(895,000)</u>
Ending Balance	<u>\$ 22,605,000</u>
 Due Within One Year	 <u>\$ 1,065,000</u>

The following are the revenue bonds outstanding for the pooled bond program at June 30, 2009:

Issue	Interest Rate	Maturity Through	Principal Balance
Series 1998A&B Term Bonds (Series A)	5.50%	2018	\$ 650,000
			<u>650,000</u>
Series 1999A Term Bonds	5.25%	2010	115,000
Term Bonds	5.50%	2019	1,385,000
			<u>1,500,000</u>
Series 2003A Serial Bonds	4.75-5.25%	2013	1,180,000
			<u>1,180,000</u>
Series 2004A Term Bonds	4.375%	2011	235,000
Term Bonds	5.000%	2014	405,000
Term Bonds	6.000%	2029	3,820,000
			<u>4,460,000</u>
Series 2004B Term Bonds	4.375%	2011	245,000
Term Bonds	5.000%	2014	420,000
Term Bonds	5.950%	2024	2,330,000
			<u>2,995,000</u>
Series 2005A Serial Bonds	5.25-5.75%	2016	1,205,000
Term Bonds	6.05%	2026	3,225,000
			<u>4,430,000</u>
Series 2008 Serial Bonds	3.80-4.85%	2015	1,595,000
Term Bonds	5.875%	2028	5,795,000
			<u>7,390,000</u>
Total			<u>\$ 22,605,000</u>

The following is a schedule of future bond payments and future interest payments remaining at June 30, 2009:

Year Ended June 30,	Principal	Interest	Total Principal and Interest
2010	\$ 1,065,000	\$ 1,280,384	\$ 2,345,384
2011	1,120,000	1,231,245	2,351,245
2012	1,185,000	1,177,464	2,362,464
2013	1,240,000	1,117,636	2,357,636
2014	960,000	1,054,311	2,014,311
2015-2019	5,600,000	4,412,067	10,012,067
2020-2024	6,190,000	2,743,434	8,933,434
2025-2029	5,245,000	848,971	6,093,971
Total	\$ 22,605,000	\$ 13,865,512	\$ 36,470,512

5. LOAN COMMITMENTS

At June 30, 2009, the Economic Development Finance Authority had the following loan commitments.

Agricultural Processing and Export Program (APEX)	<u>\$ 528,900</u>
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6. DUE TO'S

Due To's reported on the balance sheet consist of loans from Rural Development (RD). These loans were used to make loans to APEX recipients. Due To's reported on the Statement of Net Assets consist of the following:

Beginning Balance:	\$ 2,800,278
New loans – RD	550,500
Payments to RD	<u>(134,494)</u>
TOTAL DUE TO'S	<u>\$ 3,216,284</u>

CFDA Number: 10.767
 Federal Agency: Rural Business & Cooperative Development Service
 Program: Intermediary Relending Program
 State Agency: Tourism & State Development
 Outstanding Loans: \$3,216,284

The Governor's Office of Economic Development, through the Economic Development Finance Authority (EDFA), participates in the Agricultural Processing and Export (APEX) Loan Program with funds obtained from the Rural Economic and Community Development (RECD) Intermediary Relending Program (IRP). The EDFA has entered into loan agreements with the RECD in the amount of \$3,000,000. The EDFA makes loans to small businesses and draws down federal funds from the loan with the RECD to cover 70% of the loans made to small businesses. As of June 30, 2009 EDFA had \$3,216,284 in outstanding loans from Rural Development.

7. SUBSEQUENT EVENTS

Subsequent to year-end the Authority has issued the following bonds:

<u>Project</u>	<u>Dated</u>	<u>Amount</u>
Angus Palm Industries, Inc.	July 16, 2009	\$ 3,000,000