January 10, 2004

Dear Governor Rounds and Members of the 2004 Legislature,

Pursuant to the SDCL 24-7-37, Pheasantland Industries presents its Annual Report for Fiscal Year 2003.

This report provides a general overview of Pheasantland Industries and its mission. Summaries of activities and notable production numbers are included in this report.

Pheasantland Industries generated $2,312,306 in sales during FY2003, which resulted in a net income of $148,020.

Our focus continues to be on increasing employment opportunities for inmates and the production of high quality goods and services for South Dakota governmental entities, federal agencies and nonprofit organizations.

Sincerely,

Ron Zylstra
Director

Mission

To provide products and services to South Dakota governmental entities, federal agencies and non-profit organizations. Providing work opportunities for inmates, preparing them for successful return to their communities.

Unique Employment

Industries in a prison environment operate differently than businesses in a free society. Strict security procedures and scheduling are set by prison officials. Industry shops operate Monday through Friday from 7:30 a.m. to 3:30 p.m. Inmate count procedures and staff scheduling usually prohibit overtime and weekend work.

Inmates in traditional prison industries earn .25 per hour. Federal law requires that inmates working for private industry must be paid prevailing, local market wages for the type of work performed. Inmates typically use their wages to buy toiletries and foodstuffs. A percentage is also retained in an inmate worker's reserve account for use upon release or parole. Payroll deductions for inmates working at private industry jobs include, but are not limited to, incarceration fees, victim compensation and family support.

At the close of Fiscal Year 2003, the Pheasantland Industries Staff consisted of 13 employees. The work force totaled 145 inmates in traditional industries and 65 inmates in private sector industries.

Traditional Industries

In Fiscal Year 2003, traditional prison industries consisted of 10 industries: upholstery, printing, sign, decal, book bindery, braille unit, license plates, carpentry, garments, and data entry.

All traditional industries operate at the State Penitentiary in Sioux Falls, except the garment industry which is located at the Mike Durfee State Prison in Springfield and the data entry project which is located at the Women's Prison in Pierre. Prison industry shops are designed to meet standards established by the Occupational Safety and Health Administration. They are also inspected annually by the State Fire Marshal and must meet all standards established by that office.

By law, traditional prison industries can provide work only for government agencies, non-profit organizations and employees of the State of South Dakota.

Most notable shop production number for CY2003

- 33,516-boxer shorts for Department of Corrections
- 388-mattresses and 298-pillows for Department of Corrections
- 195-nylon mesh shower bags for Department of Corrections
- 105-kevlar boot covers for Department of Corrections
- 62,500 pages of braille and tactile graphics
- 4,560,000 printing impressions
- 1,550 books refurbished
- 111,215 square feet of signage for DOT, local and county governments
- 193-sets of cabinets for houses
- 10-sets of cabinets for day-care centers
- 194,446 license plates
- 19,152-khaki pants
- 2,298-khaki shirts
- 28,518-T-shirts
- 618-kitchen pants, shirts and jackets
- 612-denim jackets and pants
- 215-street banners
- 36,725-garments screened ("DOC"/"Inmate") for Department of Corrections
- 387,198,054 data entry keystrokes for Game, Fish & Park, Department of Social Services and the South Dakota State Library

Industry Descriptions:

Carpenter Shop: Custom furniture including desks, credenzas, conference tables, bookshelves, chairs, bed frames and wardrobes.

Upholstery Shop: Provides a full line of office seating, reupholsters all types of furniture in fabric, vinyl and leather, manufactures mattresses, pillows and boxer shorts.

Print Shop: Business cards, envelopes, brochures, letterhead and business forms.

Sign Shop: Highway and road signs for the South Dakota Department of Transportation and other local governments. Decals for county sheriffs, city police departments, South Dakota Highway Patrol, and state and local government vehicles.

Decals: Validation tags for vehicles.

Book Bindery: Repairs and binds books, magazines and meeting minutes.

Braille Unit: Certified by the American Printing House for the Blind for transcription. Transcribes books, magazines, greeting cards, business cards, and brochures into braille or large print. Maps and photographs are also produced for the visually impaired. The services of the Braille unit are available to the South Dakota State Library, to students and teachers nationwide.

License Plates: Auto and truck, motorcycle, trailer, apportioned vehicle, tribal, and state vehicle plates.

Machine Shop: Provides metal fabrication and welding services to state and federal governments and non-profit organizations. Current products include steel bed frames, belly chains, inmate clothing lockers and hazardous materials cabinets.

Garment Shop: Manufactures khaki trousers and shirts, jackets, coveralls, parkas, and t-shirts; and screen prints various clothing articles.

Data Entry: Provides data entry services for various state agencies, including Game Fish & Parks, Department of Social Services and the State Archives.

Private Industry Enhancement

As the inmate population of adult corrections system grows, so does the need to provide more work opportunities for inmates. Traditional industries also have a very limited market in which to sell its goods. These two facts prompted the decision to explore private sector industry possibilities.

In June of 1989, the Department of Corrections applied for certification in the Private Sector/Prison Industries Enhancement Program. This application was forwarded to the United States Bureau of Justice Assistance after the South Dakota Legislature passed legislation permitting private sector involvement in prison industries. South Dakota was granted certification in 1990.

In addition to the State's certification, each private sector enterprise must be approved by the federal government. The application for each enterprise must include the enterprise market, the number of inmates to be employed, the wages to be paid, and verification that the venture will not impact the local market.

FY 2003 Activities

Inmate wages paid in the private sector for FY 2003 were $315,203. Inmates employed in these industries paid $18,912 to the South Dakota Crime Victims' Compensation fund, $94,561 for incarceration costs, $18,912 in family support obligation, $24,968 in federal taxes, and $24,,113 in social security.

Private sector businesses operating during FY2003 included Metalcraft Industries which has welding and machine tool operations at the Jameson Annex

FINANCIAL SUMMARIES

Since FY94, Pheasantland Industries' total sales and net income is as follows:

FY94 - - -	Total sales	$ 1,624,301
	Net income	$ (34,624)
FY95 - - -	Total sales	$ 1,762,135
	Net income	$ 33,645
FY96 - - -	Total sales	$ 2,398,031
	Net Income	$ 260,372
FY97 - - -	Total sales	$ 1,588,700
	Net Income	$ 192,487
FY98 - - -	Total sales	$ 1,925,971
	Net Income	$ 312,591
FY99 - - -	Total sales	$ 1,901,404
	Net Income	$ 232,762
FY2000 - - -	Total sales	$ 2,678,927
	Net Income	$ 150,774
FY2001- - -	Total sales.....	$2,643,707
	Net Income.....	$ 405,083
FY2002- - -	Total sales.....	$1,975,086
	Net Income.....	$ 303,322
FY2003 - - -	Total sales	$ 2,312,306
	Net income	$ 148,020

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF NET ASSETS
06/30/2003

ASSETS	Admin. Office	Building Fund	License Plate	Furniture	Book-Bindery	Braille Unit	Sign	Machine Shop	Agri-culture	Print	Garment
Current Assets:											
Cash and Cash equivalents	$ (199,723.90)	$ (912,523.91)	$ 1,939,039.87	$ 315,398.17	$ 35,873.53	$ 74,741.13	$ 332,764.25	$ 14,574.12	$ -	$ (52,338.23)	$ (192,836.12)
Receivables:											
Interest and Dividends			38,903.18	6,988.13	832.44	1,513.95	7,422.99	-	-		
Other Funds	254,555.40	36,853.74		13,656.20	6,516.14	-	595.84	-		4,327.41	2,940.43
Component Units				53,765.29			34.30				
Other			9.15	1,404.58	268.30	5,629.60	1,518.65	1,350.00	-	3,611.31	427.42
Other Governments	-	1,416.34	81,011.25	10,251.50	242.29	2,416.05	5,578.89	-	-	6,377.35	34,355.98
Inventory	-	-	213,856.13	124,846.91	9,166.09	4,820.47	23,949.16	9,655.00	-	18,538.48	159,452.05
Total Current Assets	$ 54,831.50	$ (874,253.83)	$ 2,272,819.58	$ 526,310.78	$ 52,898.79	$ 89,121.20	$ 371,864.08	$ 25,579.12	$ -	$ (19,483.68)	$ 4,339.76
Capital Assets:											
Construction In Progress											
Buildings and Improvements		719,301.72	-	-							
Accum Depreciation - Bldg.		(19,617.31)	-	-							
Equipment	19,322.00		461,231.50	37,394.00	60,286.75	16,769.58	15,490.00			146,328.39	12,150.00
Accum Depreciation - Equipment	(17,711.78)	-	(367,539.68)	(7,222.53)	(54,356.75)	(11,584.54)	(15,490.00)	-	-	(85,599.67)	(12,150.00)
Total Capital Assets	1,610.22	699,684.41	93,691.82	30,171.47	5,930.00	5,185.04	-	-	-	60,728.72	-
Other Noncurrent Assets	-	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 56,441.72	$ (174,569.42)	$ 2,366,511.40	$ 556,482.25	$ 58,828.79	$ 94,306.24	$ 371,864.08	$ 25,579.12	$ -	$ 41,245.04	$ 4,339.76
Liabilities											
Current Liabilities											
Accounts Payable	$ 578.38	$ 1,108.10	$ 66,168.45	$ 16,999.93	$ 146.45	$ 2,233.33	$ 1,563.17	$ 2,428.50		$ 6,610.59	$ 2,238.97
Due to Other Funds	702.23	1,411.88	62,222.28	74,812.73	2,153.85	15,007.38	7,540.97	3,783.21	-	15,938.06	48,114.18
Component Units	11,966.68	7.20	3,984.76	4,940.06	476.50	1,128.72	2,533.60	527.88		1,469.22	2,721.72
Salaries Payable	27,690.76		10,395.62	24,719.95	7,025.11		4,055.85			1,308.25	4,970.80
Deferred Revenue	-	-	-	8,550.00	-	-	-	-	-	-	-
Total Current Liabilities	40,938.05	2,527.18	142,771.11	130,022.67	9,801.91	18,369.43	15,693.59	6,739.59	-	25,326.12	58,045.67
Noncurrent Liabilities											
Accrued Employee Benefits - LT	15,503.67	-	7,472.28	15,116.34	3,841.17	-	1,285.20	-	-	1,263.00	2,463.50
Total Liabilities	56,441.72	2,527.18	150,243.39	145,139.01	13,643.08	18,369.43	16,978.79	6,739.59	-	26,589.12	60,509.17
Net Assets											
Unreserved Retained Earnings	-	(177,096.60)	2,216,268.01	411,343.24	45,185.71	75,936.81	354,885.29	18,839.53	-	14,655.92	(56,169.41)
Total Net Assets	-	(177,096.60)	2,216,268.01	411,343.24	45,185.71	75,936.81	354,885.29	18,839.53	-	14,655.92	(56,169.41)
Total Liabilities and Net Assets	$ 56,441.72	$ (174,569.42)	$ 2,366,511.40	$ 556,482.25	$ 58,828.79	$ 94,306.24	$ 371,864.08	$ 25,579.12	$ -	$ 41,245.04	$ 4,339.76

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR TWELVE MONTHS ENDED 06/30/03

	Admin. Office	Building Fund	License Plate	Furniture	Book-Bindery	Braille Unit	Sign	Machine Shop	Agri-culture	Print
Operating Revenue:										
Sales and Services		$ 12,717.21	$ 614,570.67	$ 618,627.64	$ 18,823.68	49,447.81	65,904.80	33,063.62	-	112,829.55
Rent Income	4,364.32			-					-	
Other Revenue	2,017.05	-	-	-	-	-	265.78	-		-
Total Operating Revenue:	6,381.37	12,717.21	614,570.67	618,627.64	18,823.68	49,447.81	66,170.58	33,063.62	-	112,829.55
Operating Expenses:										
Personal Services and Benefits	197,020.65		43,847.43	151,940.56	7,421.98	12,541.26				25,488.02
Travel	2,783.17			3,561.12						1,269.00
Inmate Labor	3,031.94		7,233.38	24,976.34	1,640.27	8,276.00	2342.27	2,853.30		5,632.91
Contractual Services	40,503.22		19,155.44	7,098.22	1,918.15	2,311.01	3,867.78	236.74		7,116.28
Supplies	12,244.23		380,099.21	315,431.24	5,370.31	8,512.25	20,943.04	12,091.41		58,630.67
Depreciation	3,864.36	19,617.31	21,930.50	3,194.42	851.05	1,043.04				8,837.80
Other Expense	(254,555.40)	1,411.88	62,143.32	70,784.68	2,153.85	5,657.92	7,540.97	3,783.21		12,910.20
Fixed overhead Absorbed	-			-					-	
Total Operating Expenses	4,892.17	21,029.19	534,409.28	576,986.58	19,355.61	38,341.48	34,694.06	18,964.66	-	119,884.88
Operating Income (Loss)	1,489.20	(8,311.98)	80,161.39	41,641.06	(531.93)	11,106.33	31,476.52	14,098.96	-	(7,055.33)
Nonoperating Revenue (Expenses):										
Loss on Disposal of Assets										(2,570.00)
Interest Income			38,903.18	6,988.13	832.44	1,513.95	7,422.99	-	-	
Other Income (Expense)				-						
Total Nonperating Revenue (Expenses)	-	-	38,903.18	6,988.13	832.44	1,513.95	7,422.99	-	-	(2,570.00)
Income (Loss) Before Operating Transfers	1,489.20	(8,311.98)	119,064.57	48,629.19	300.51	12,620.28	38,899.51	14,098.96	-	(9,625.33)
Transfers:										
Transfers In		10,305.86				1,100.00				1,170.00
Transfers Out		(507,598.30)	-	-						-
Net Transfers in (Out)	-	(497,292.44)	-	-	-	1,100.00	-	-	-	1,170.00
Change in Net Assets	1,489.20	(505,604.42)	119,064.57	48,629.19	300.51	13,720.28	38,899.51	14,098.96	-	(8,455.33)
Net Assets at Beginning of Year	(1,489.20)	328,507.82	2,097,203.44	362,714.05	44,885.20	62,216.53	315,985.78	4,740.57	-	23,111.25
Net Assets at End of Year	$ (0.00)	$ (177,096.60)	$ 2,216,268.01	$ 411,343.24	$ 45,185.71	$ 75,936.81	$ 354,885.29	$ 18,839.53	$ -	$ 14,655.92

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF NET ASSETS
06/30/2003

ASSETS	Private Sector	Decals	Data Entry	Total
Current Assets:				
Cash and Cash equivalents	$ 200,272.44	$ 176,800.40	$ 32,071.72	$ 1,764,113.47
Receivables:				
Interest and Dividends	4,616.56	4,143.71	75.53	64,496.49
Other Funds				319,445.16
Component Units				53,799.59
Other	76,117.70			90,336.71
Other Governments	9,572.72	37,746.64	17,360.77	206,329.78
Inventory	-	1,745.12	-	566,029.41
Total Current Assets	$ 290,579.42	$ 220,435.87	$ 49,508.02	$ 3,064,550.61
Capital Assets:				
Construction In Progress	370,854.63			370,854.63
Buildings and Improvements	430,466.00			1,149,767.72
Accum Depreciation - Bldg.	(167,403.45)			(187,020.76)
Equipment				768,972.22
Accum Depreciation - Equipment	-	-	-	(571,654.95)
Total Capital Assets	633,917.18	-	-	1,530,918.86
Other Noncurrent Assets	1,483.04	-	-	1,483.04
Total Assets	$ 925,979.64	$ 220,435.87	$ 49,508.02	$ 4,596,952.51
Liabilities				
Current Liabilities				
Accounts Payable	$ -	$ 515.88	$ 17,249.85	$ 117,841.60
Due to Other Funds	47,673.65	14,983.31	25,101.43	319,445.16
Component Units	1,715.49	580.31	4,132.11	36,184.25
Salaries Payable	12,111.53	645.23	-	92,923.10
Deferred Revenue	-	-	-	8,550.00
Total Current Liabilities	61,500.67	16,724.73	46,483.39	574,944.11
Noncurrent Liabilities				
Accrued Employee Benefits - LT	5,851.69	622.91	-	53,419.76
Total Liabilities	67,352.36	17,347.64	46,483.39	628,363.87
Net Assets				
Unreserved Retained Earnings	858,627.28	203,088.23	3,024.63	3,968,588.64
Total Net Assets	858,627.28	203,088.23	3,024.63	3,968,588.64
Total Liabilities and Net Assets	$ 925,979.64	$ 220,435.87	$ 49,508.02	$ 4,596,952.51

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR TWELVE MONTHS ENDED 06/30/03

	Garment	Private Sector	Decals	Data Entry	Total
Operating Revenue:					
Sales and Services	388,117.06	94,561.31	77,522.81	219,375.81	$ 2,305,561.97
Rent Income					$ 4,364.32
Other Revenue	77.58			19.08	$ 2,379.49
Total Operating Revenue:	388,194.64	94,561.31	77,522.81	219,394.89	2,312,305.78
Operating Expenses:					
Personal Services and Benefits	39,005.85	81,518.18	13,157.70	-	571,941.63
Travel	236.20			-	7,849.49
Inmate Labor	14,613.82		2,907.84	11,162.96	84,671.03
Contractual Services	2,006.70	6,377.43	1,952.89	132,712.90	225,256.76
Supplies	242,107.64	1,452.24	41,553.86	640.48	1,099,076.58
Depreciation	1,113.75	15,943.19		-	76,395.42
Other Expense	44,409.18	10,819.91	7,838.85	25,101.43	0.00
Fixed overhead Absorbed				-	-
Total Operating Expenses	343,493.14	116,110.95	67,411.14	169,617.77	2,065,190.91
Operating Income (Loss)	44,701.50	(21,549.64)	10,111.67	49,777.12	247,114.87
Nonoperating Revenue (Expenses):					
Loss on Disposal of Assets					(2,570.00)
Interest Income		4,616.56	4,143.71	75.53	64,496.49
Other Income (Expense)					-
Total Nonperating Revenue (Expenses)	-	4,616.56	4,143.71	75.53	61,926.49
Income (Loss) Before Operating Transfers	44,701.50	(16,933.08)	14,255.38	49,852.65	309,041.36
Transfers:					
Transfers In		334,000.89			346,576.75
Transfers Out	-	-	-		(507,598.30)
Net Transfers in (Out)	-	334,000.89	-	-	(161,021.55)
Change in Net Assets	44,701.50	317,067.81	14,255.38	49,852.65	148,019.81
Net Assets at Beginning of Year	(100,870.91)	541,559.47	188,832.85	(46,828.02)	3,820,568.83
Net Assets at End of Year	$ (56,169.41)	$ 858,627.28	$ 203,088.23	$ 3,024.63	$ 3,968,588.64