January 10, 2005

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 2004.

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 recorded net income of $97,884 on sales of $2,471,744 for Fiscal Year 2004.

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 2004, the Pheasantland Industries Staff consisted of 13 employees. The work force totaled 194 inmates in traditional industries and 35 inmates in private sector industries.

Traditional Industries

In Fiscal Year 2004, traditional prison industries consisted of 14 industries: upholstery, printing, sign, decal, bookbindery, braille unit, license plates, cabinet, custom furniture, garments, screen printing, data entry, wheelchair refurbishing and Native American Craft Shop.

All traditional industries operate at the State Penitentiary in Sioux Falls, except the garment and screen print shops which are 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 CY2004

- 32,500-boxer shorts for Department of Corrections
- 574-mattresses and 298-pillows for Department of Corrections
- 165-nylon mesh shower bags for Department of Corrections
- 55-kevlar boot covers for Department of Corrections
- 32,500 pages of braille and tactile graphics transcribed
- 154,699-braille pages printed
- 63,262-large print pages printed
- 3,940,000-printing impressions
- 1,100-books refurbished
- 100,000-decals for boats, snowmobiles, prorate tags and housing
- 107,115-square feet of signage for DOT, local and county governments
- 190-sets of cabinets for the Governor's Housing Program and daycare centers
- 286,739-license plates
- 14,327-khaki pants
- 1,896-khaki shirts
- 29,334-T-shirts
- 763-kitchen pants, shirts and jackets
- 494-denim jackets and pants
- 36,467-garments screened ("DOC"/"Inmate") for Department of Corrections
- 443,938,066-data entry keystrokes for Game, Fish & Park, Department of Social Services and the South Dakota State Library

Industry Descriptions:

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

Cabinet Shop: Kitchen and bathroom cabinets and vanities, counter tops, linen cabinets and trim.

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.

Screen Print Shop: Prints "DOC" and "Inmate" on inmate clothing.

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

Native American Craft Shop: Produces authentic/original Native crafts.

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 2004 were 348,108. Inmates employed in these industries paid $20,887 to the South Dakota Crime Victims' Compensation fund, $104,433 for incarceration costs, $20,887 in family support obligation, $31,545 in federal taxes, and $26,630 in social security.

Private sector businesses operating during FY2004 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

FY2004 - - - Total sales $2,471,744
Net income .....$ 97,884

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF NET ASSETS
6/30/2004

ASSETS	Admin. Office	Building Fund	License Plate	Furniture	Book-Bindery	Braille Unit	Sign	Machine Shop	Print	Garment
Current Assets:										
Cash and Cash equivalents	$ (209,518.36)	$ (616,492.56)	$ 1,721,037.41	$ 292,845.87	$ 35,690.93	$ 83,994.30	$ 322,055.83	$ 26,750.54	$ (82,103.76)	$ (140,941.43)
Receivables:										
Interest and Dividends			32,126.74	5,843.46	518.07	1,299.63	5,813.90	412.39		
Other Funds	258,597.15		-	18,033.96	4,675.11		177.92	-		9,442.70
Component Units		2.61		36,628.00			171.53			
Other		382.25	-	4,189.08	2,881.24	9,736.13	1,672.41	-	2,519.41	1,033.53
Other Governments	33.76	517.01	82,723.11	7,541.14	209.41	5,814.45	8,465.32	2,500.00	7,619.03	28,180.74
Inventory	-	-	241,447.31	129,093.91	11,729.25	5,779.10	21,157.06	2,754.53	25,700.17	150,839.26
Total Current Assets	$ 49,112.55	$ (615,590.69)	$ 2,077,334.57	$ 494,175.42	$ 55,704.01	$ 106,623.61	$ 359,513.97	$ 32,417.46	$ (46,265.15)	$ 48,554.80
Capital Assets:										
Construction In Progress										
Buildings and Improvements		719,301.72	-	-						
Accum Depreciation - Bldg.		(45,773.74)	-	-						
Equipment	19,322.00		461,231.50	50,389.00	36,536.75	5,215.00	15,490.00		173,933.39	18,444.00
Accum Depreciation - Equipment	(19,322.00)	-	(387,574.14)	(11,538.93)	(35,356.75)	(2,173.00)	(15,490.00)	-	(91,437.73)	(12,150.00)
Total Capital Assets	-	673,527.98	73,657.36	38,850.07	1,180.00	3,042.00	-	-	82,495.66	6,294.00
Other Noncurrent Assets	-	-	-	-	-	-	-	-	-	-
Total Assets	$ 49,112.55	$ 57,937.29	$ 2,150,991.93	$ 533,025.49	$ 56,884.01	$ 109,665.61	$ 359,513.97	$ 32,417.46	$ 36,230.51	$ 54,848.80
Liabilities										
Current Liabilities										
Accounts Payable	$ 1,047.30		$ 5,530.92	$ 26,645.01	$ 4,399.87	$ 901.51	$ 67.50	$ 5,720.03	$ 3,744.52	$ 8,141.54
Due to Other Funds	68.60	854.03	56,774.76	79,993.92	3,327.90	23,535.25	6,612.56	4,492.23	20,328.02	41,779.47
Component Units	2,807.90		959.10	5,747.37	834.98	1,285.28	2,229.73	253.53	1,247.69	3,388.64
Salaries Payable	12,117.01		2,959.44	9,050.39	2,779.94		2,272.68		-	2,476.73
Deferred Revenue	-	-	-	5,447.60	-	-	-	-	-	15,191.75
Total Current Liabilities	16,040.81	854.03	66,224.22	126,884.29	11,342.69	25,722.04	11,182.47	10,465.79	25,320.23	70,978.13
Noncurrent Liabilities										
Accrued Employee Benefits - LT	33,071.74	-	9,327.91	22,873.73	9,004.00	-	2,977.05	-	2,571.25	5,550.09
Total Liabilities	49,112.55	854.03	75,552.13	149,758.02	20,346.69	25,722.04	14,159.52	10,465.79	27,891.48	76,528.22
Net Assets										
Unreserved Retained Earnings	-	57,083.26	2,075,439.80	383,267.47	36,537.32	83,943.57	345,354.45	21,951.67	8,339.03	(21,679.42)
Total Net Assets	-	57,083.26	2,075,439.80	383,267.47	36,537.32	83,943.57	345,354.45	21,951.67	8,339.03	(21,679.42)
Total Liabilities and Net Assets	$ 49,112.55	$ 57,937.29	$ 2,150,991.93	$ 533,025.49	$ 56,884.01	$ 109,665.61	$ 359,513.97	$ 32,417.46	$ 36,230.51	$ 54,848.80

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTION:
PHEASANTLAND INDUSTRIES
STATEMENT OF NET ASSETS
6/30/2004

ASSETS	Private Sector	Decals	Data Entry	Total
Current Assets:				
Cash and Cash equivalents	$ 153,387.23	$ 181,437.17	$ 104,092.31	$ 1,872,235.48
Receivables:				
Interest and Dividends	2,860.58	3,080.79	1,066.20	53,021.76
Other Funds	-	-	1,475.46	292,402.30
Component Units				36,802.14
Other	64,900.66	-		87,314.71
Other Governments	9,747.48	22,113.74	24,306.97	199,772.16
Inventory	-	6,283.17	-	594,783.76
Total Current Assets	$ 230,895.95	$ 212,914.87	$ 130,940.94	$ 3,136,332.31
Capital Assets:				
Construction In Progress				-
Buildings and Improvements	801,320.63			1,520,622.35
Accum Depreciation - Bldg.	(197,081.97)			(242,855.71)
Equipment				780,561.64
Accum Depreciation - Equipment	-	-	-	(575,042.55)
Total Capital Assets	604,238.66	-	-	1,483,285.73
Other Noncurrent Assets	3,093.97	-	-	3,093.97
Total Assets	$ 838,228.58	$ 212,914.87	$ 130,940.94	$ 4,622,712.01
Liabilities				
Current Liabilities				
Accounts Payable	$ 2,345.23	$ 9.30	$ 23,488.40	$ 82,041.13
Due to Other Funds	12,656.30	9,813.81	32,165.45	292,402.30
Component Units	984.47	429.85	4,414.44	24,582.98
Salaries Payable	5,198.34		-	36,854.53
Deferred Revenue	-	-	-	20,639.35
Total Current Liabilities	21,184.34	10,252.96	60,068.29	456,520.29
Noncurrent Liabilities				
Accrued Employee Benefits - LT	13,075.24	1,268.14	-	99,719.15
Total Liabilities	34,259.58	11,521.10	60,068.29	556,239.44
Net Assets				
Unreserved Retained Earnings	803,969.00	201,393.77	70,872.65	4,066,472.57
Total Net Assets	803,969.00	201,393.77	70,872.65	4,066,472.57
Total Liabilities and Net Assets	$ 838,228.58	$ 212,914.87	$ 130,940.94	$ 4,622,712.01

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
6/30/2004

	Admin. Office	Building Fund	License Plate	Furniture	Book-Bindery	Braille Unit	Sign	Machine Shop	Print	Garment
Operating Revenue:										
Sales and Services	$ 402.01	$ 7,046.98	$ 533,765.62	$ 554,251.41	$ 24,212.95	74,815.89	54,563.25	37,067.47	143,070.62	332,566.89
Rent Income				-						
Other Revenue	259,273.42	-	226.15	2,783.44	477.73	-	-	-	25.00	-
Total Operating Revenue:	259,675.43	7,046.98	533,991.77	557,034.85	24,690.68	74,815.89	54,563.25	37,067.47	143,095.62	332,566.89
Operating Expenses:										
Personal Services and Benefits	199,053.72		48,360.03	133,755.29	9,726.99	14,273.24			28,186.54	40,160.31
Travel	1,610.98			4,445.50					-	277.54
Inmate Labor	3,384.01		4,967.76	19,938.29	2,103.52	6,295.23	1240.98	1,758.96	5,091.08	14,002.14
Contractual Services	41,156.69		17,136.60	12,660.90	2,379.67	1,681.41	4,286.65	244.22	9,000.65	2,750.74
Supplies	12,859.81		316,870.41	324,476.25	8,997.35	18,571.25	29,156.24	26,922.98	76,562.35	200,582.16
Depreciation	1,610.22	26,156.43	20,034.46	4,316.40		1,043.04			13,233.06	-
Other Expense	-	854.03	56,774.76	69,844.56	2,934.38	9,066.99	6,612.56	4,492.23	17,338.83	40,304.01
Fixed overhead Absorbed	-			-						
Total Operating Expenses	259,675.43	27,010.46	464,144.02	569,437.19	26,141.91	50,931.16	41,296.43	33,418.39	149,412.51	298,076.90
Operating Income (Loss)	-	(19,963.48)	69,847.75	(12,402.34)	(1,451.23)	23,884.73	13,266.82	3,649.08	(6,316.89)	34,489.99
Nonoperating Revenue (Expenses):										
Loss on Disposal of Assets					(4,750.00)	(1,100.00)				
Interest Income			32,126.74	5,843.46	518.07	1,299.63	5,813.90	412.39		
Other Income (Expense)				-						
Total Nonperating Revenue (Expenses)	-	-	32,126.74	5,843.46	(4,231.93)	199.63	5,813.90	412.39	-	-
Income (Loss) Before Operating Transfers	-	(19,963.48)	101,974.49	(6,558.88)	(5,683.16)	24,084.36	19,080.72	4,061.47	(6,316.89)	34,489.99
Transfers:										
Transfers In		254,143.34								
Transfers Out		-	(242,802.70)	(21,516.89)	(2,965.23)	(16,077.60)	(28,611.56)	(949.33)	-	-
Net Transfers in (Out)	-	254,143.34	(242,802.70)	(21,516.89)	(2,965.23)	(16,077.60)	(28,611.56)	(949.33)	-	-
Change in Net Assets	-	234,179.86	(140,828.21)	(28,075.77)	(8,648.39)	8,006.76	(9,530.84)	3,112.14	(6,316.89)	34,489.99
Net Assets at Beginning of Year	-	(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)
Net Assets at End of Year	$ -	$ 57,083.26	$ 2,075,439.80	$ 383,267.47	$ 36,537.32	$ 83,943.57	$ 345,354.45	$ 21,951.67	$ 8,339.03	$ (21,679.42)

STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
6/30/2004

	Private Sector	Decals	Data Entry	Total
Operating Revenue:				
Sales and Services	104,432.95	$ 77,350.22	265,411.92	$ 2,208,958.18
Rent Income				$ -
Other Revenue				$ 262,785.74
Total Operating Revenue:	104,432.95	77,350.22	265,411.92	2,471,743.92
Operating Expenses:				
Personal Services and Benefits	91,428.62	14,344.44	-	579,289.18
Travel			-	6,334.02
Inmate Labor		2,301.91	10,809.62	71,893.50
Contractual Services	1,711.70	2,676.31	154,539.45	250,224.99
Supplies	13,051.77	39,710.91	502.36	1,068,263.84
Depreciation	29,678.52		-	96,072.13
Other Expense	12,656.30	8,227.49	32,165.45	261,271.59
Fixed overhead Absorbed			-	-
Total Operating Expenses	148,526.91	67,261.06	198,016.88	2,333,349.25
Operating Income (Loss)	(44,093.96)	10,089.16	67,395.04	138,394.67
Nonoperating Revenue (Expenses):				
Loss on Disposal of Assets				(5,850.00)
Interest Income	2,860.58	3,080.79	1,066.20	53,021.76
Other Income (Expense)				-
Total Nonperating Revenue (Expenses)	2,860.58	3,080.79	1,066.20	47,171.76
Income (Loss) Before Operating Transfers	(41,233.38)	13,169.95	68,461.24	185,566.43
Transfers:				
Transfers In				254,143.34
Transfers Out	(13,424.90)	(14,864.41)	(613.22)	(341,825.84)
Net Transfers in (Out)	(13,424.90)	(14,864.41)	(613.22)	(87,682.50)
Change in Net Assets	(54,658.28)	(1,694.46)	67,848.02	97,883.93
Net Assets at Beginning of Year	858,627.28	203,088.23	3,024.63	3,968,588.64
Net Assets at End of Year	$ 803,969.00	$ 201,393.77	$ 70,872.65	$ 4,066,472.57