

January 11, 2000

Dear Governor Janklow and Members of the 2000 Legislature:

Pursuant to SDCL 24-7-37, Pheasantland Industries presents its Annual Report for Fiscal Year 1999.

This report provides a general overview of Pheasantland Industries and its mission. Summaries of activities during the past fiscal year and financial statements are also included in this report.

Pheasantland Industries generated \$2 million in sales during FY99, which resulted in a net income of \$155,000. Improvements were made in various shops, and private sector businesses continued providing additional work opportunities for inmates.

Sincerely,

Jeff Stroup
Director

Mission

To provide products and services for the State of South Dakota and its political subdivision, to provide work opportunities for inmates, and to be a self-supporting entity.

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 between 40 and 70 cents 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, food stuffs, and craft materials. A percentage is also retained in an inmate worker's reserve account for use upon release or parole. Inmates working for private industry jobs must also use their wages to pay for incarceration costs, victim compensation funds, and family support.

At the close of Fiscal Year 1999, the Pheasantland Industries Staff consisted of 14 employees. The work force totaled 128 inmates in traditional industries and 56 inmates in private sector industries.

Traditional Industries

In Fiscal Year 1999, traditional prison industries consisted of 11 industries: upholstery, printing, sign, decal, book bindery, braille unit, license plates, carpentry, machine shop, 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 and non-profit organizations.

Industry Descriptions:

Carpenter Shop: Custom made furniture including desks, credenzas, conference tables, bookshelves, and chairs.

Upholstery Shop: Recovers and repairs various types of furniture, manufactures mattresses and boxer shorts, and assembles chairs.

Print Shop: Business cards, envelopes, brochures, 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, the Highway Patrol, and state and local government vehicles.

Decals: Validation tags for vehicles.

Book Bindery: Repairs and binds books and magazines.

Braille Unit: 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 State Library and schools, organizations, and private individuals nationwide.

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

Machine Shop: Manufactures belly chains for law enforcement agencies throughout the United States.

Garment Shop: Manufactures blue jeans, jackets, and t-shirts.

Data Entry: Provides data entry services for various state agencies.

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 '99 Activities

Inmate wages paid in the private sector for FY99 were \$342,469. Inmates employed in these industries paid \$20,548 to the South Dakota Crime Victims' Compensation fund, \$102,741 for incarceration costs, \$20,548 in family support obligation, \$22,767 in federal taxes, and \$26,199 in social security.

Private sector businesses operating during FY99 included Metalcraft Industries which has a welding operation at the Jameson Annex, M-Tron which assembles electronic components at the Mike Durfee State Prison, and Vespers which assembles various wood and gift products at the Mike Durfee State Prison.

FINANCIAL SUMMARIES

Since FY88, Pheasantland Industries' total sales and net income is as follows:

FY88 - - - Total sales \$ 1,056,433
Net income \$ 113,951

FY90 - - - Total sales \$ 1,471,582
Net income \$ 107,273

FY91 - - - Total sales \$ 2,786,277
Net income \$ 97,870

FY92 - - - Total sales \$ 1,607,012
Net income \$ (43,833)

FY93 - - - Total sales \$ 1,431,378
Net income \$ 95,577

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 \$ 145,002

FY98 - - - Total sales \$ 1,925,971
Net Income \$ 248,416

FY99 - - - Total sales \$ 2,001,053
Net income \$ 154,575

Note: A financial statement was not prepared for FY89.

**STATE OF SOUTH DAKOTA
DEPARTMENT OF
CORRECTIONS
PHEASANTLAND
INDUSTRIES
BALANCE SHEET
06/30/1999**

<u>ASSETS</u>	<u>Admin. Office</u>	<u>License Plate</u>	<u>Furniture</u>	<u>Book- Bindery</u>	<u>Braille Unit</u>	<u>Sig</u>
Cash and Cash equivalents	\$(323,961.11)	\$1,161,307.13	\$184,580.32	\$29,092.89	\$53,088.23	\$198,600.00
Accounts Receivable			1,924.06	3,215.42	45.00	1,700.00
Due from other Agencies	5,003.88	194,434.05	28,582.41	330.82		13,300.00
Interest Receivable			-			
Due from other Funds	249,576.03		2,964.03	2,226.81		1,000.00
Prepaid Expense			-		482.96	
Inventory		453,385.89	137,774.41	11,202.51	4,698.74	20,600.00
Land			-			
Buildings and Improvements	124,455.34		88,342.67			
Accum Depreciation - Bldg.	(38,545.53)		(20,970.29)			
Equipment	101,944.76	473,860.90	39,554.52	107,867.68	41,555.56	36,100.00
Accum Depreciation - Equipment	(65,696.27)	(334,392.07)	(30,463.00)	(83,298.91)	(35,903.34)	(30,400.00)
TOTAL ASSETS	\$52,777.10	\$1,948,595.90	\$432,289.13	\$70,637.22	\$63,967.15	\$241,000.00

**LIABILITIES AND FUND
EQUITY**

Liabilities:						
Accounts Payable	\$335.59	\$23,810.38	\$18,978.28	\$571.08		\$9,000.00
Due to Other Funds	562.76	64,153.50	64,267.22	3,249.48	4,899.63	9,200.00
Due to Other Agencies	4,715.83	2,450.60	5,701.16	1,027.12	1,525.82	3,600.00
Salaries Payable	9,720.88	1,779.33	5,656.95	1,558.32		1,800.00
Deferred Revenue		298,760.36	4,639.90			

Accrued Employee Benefits - LT	36,494.76	11,390.57	20,255.73	7,068.35	-	9,9
Total Liabilities	51,829.82	402,344.74	119,499.24	13,474.35	6,425.45	25,6
Fund Equity:						
Contributions	947.28	70,792.17	2,599.39	6,407.93	4,964.78	2,5
Unreserved Retained Earnings	-	1,475,458.99	310,190.50	50,754.94	52,576.92	212,8
Total Fund Equity	947.28	1,546,251.16	312,789.89	57,162.87	57,541.70	215,3
Total Liabilities and Fund Equity	\$52,777.10	\$1,948,595.90	\$432,289.13	\$70,637.22	\$63,967.15	\$241,0
	0.00	(0.00)	-	-	-	-

**STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF REVENUES,
EXPENSES
AND CHANGES IN RETAINED
EARNINGS
TWELVE MONTHS ENDED 06/30/99**

	<u>Admin. Office</u>	<u>License Plate</u>	<u>Furniture</u>	<u>Book- Bindery</u>	<u>Braille Unit</u>
Operating Revenue:					
Sales and Services	\$-	\$551,595.26	\$445,120.30	\$24,158.79	33,835.40
Rent Income	11,088.00		-	-	
Other Revenue	<u>35,651.69</u>	<u>100.40</u>	<u>-</u>		<u>-</u>
Total Operating Revenue:	46,739.69	551,695.66	445,120.30	24,158.79	33,835.40
Cost of Goods Sold		515,464.03	398,644.52	20,856.99	24,286.76
Gross Profit	46,739.69	36,231.63	46,475.78	3,301.80	9,548.64
Operating Expenses:					
Personal Services and Benefits		36,784.91	83,433.36	6,789.65	
Travel	200,273.67		4,302.06		
Inmate Labor	3,377.85	1,451.76	(438.87)	3,207.57	4,977.40
Contractual Services	50,707.52	21,083.53	6,515.51	2,262.78	2,418.69
Supplies	9,210.98	5,838.40	15,628.76	1,322.38	2,557.17
Depreciation	29,257.84	16,943.85	5,406.86	5,911.57	5,936.51
Fixed overhead Absorbed	-	(182,040.93)			
			(180,849.09)	(15,730.04)	(14,858.51)
Total Operating Expenses		<u>(99,938.48)</u>	<u>(66,001.41)</u>	<u>3,763.91</u>	<u>1,031.26</u>
	296,207.16				

Nonoperating Revenue (Expenses):					
Interest Income				-	
Other Income			863.74		
Other Expense	248,900.05	-	(64,122.50)	(60,593.36)	(3,241.81) (4,540.29)
Total Nonoperating Revenue (Expenses)	248,900.05		(64,122.50)	(59,729.62)	(3,241.81) (4,540.29)
Net Income (Loss) Before Operating Transfers	(567.42)	72,047.61	52,747.57	(3,703.92)	3,977.09
Operating Transfers In (Out)					
Net Operating Transfers	-	-	-	-	-
Net Income (Loss)	(567.42)	72,047.61	52,747.57	(3,703.92)	3,977.09
Retained Earnings at Beginning of Year	-	1,400,781.06	256,973.93	52,749.28	43341.09
Decrease in Contributed Capital	<u>567.42</u>	<u>2,630.32</u>	<u>469.00</u>	<u>1,709.58</u>	<u>5,258.74</u>
Retained Earnings at End of Year	<u>\$(0.00)</u>	<u>\$1,475,458.9</u>	<u>\$310,190.5</u>	<u>\$50,754.9</u>	<u>\$52,576.9</u>
		9	0	4	2
		\$(0.00)	\$0.00	\$-	\$-

**STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF CASH FLOWS
AND CHANGES IN RETAINED
EARNINGS
FOR THE TWELVE MONTHS ENDED
06/30/99**

	<u>Admin. Office</u>	<u>License Plate</u>	<u>Furniture</u>	<u>Book- Bindery</u>	<u>Braille Unit</u>
Cash Flows from Operating Activities:					
Operating Income (Loss)	(567.42)	72,047.61	52,747.57	(3,703.92)	3,977.09
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	29,257.84	16,943.85	5,406.86	5,911.57	5,936.51
Decrease/(Increase) in Assets:					
Receivable	(1,716.35)		35,211.57	1,379.72	1,940.97
		(111,129.56)			
Due From Other Funds	(20,667.15)		3,604.55	239.28	
Prepaid Expenses			-		1,199.12
Inventory		(159,522.49)	(43,354.78	(2,376.75)	(1,613.52)
)		
Increase (Decrease) in Liabilities:					
Accounts Payable	(703.71)	21,841.47	9,316.28	276.45	
Due to other Funds	306.86	29,698.27	1,277.93	461.70	1,616.76
Due to other Agencies	1,133.83	1,398.02	2,733.32	354.41	678.85
Salaries Payable	1,717.33	298.56	2,471.37	1,295.73	
Accrued Leave Liability	6,021.28	1,417.75	5,462.99	(26.35)	
Deferred Revenue	-	298,760.36	4,639.90		
Net Cash Provided (Used) by Operating Activities	14,782.51	171,753.84	79,517.56	3,811.84	13,735.78
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Cash Flows from Capital and Related Financing Activities:					
Purchases of Capital Assets	(22,778.00)	(31,020.00)	(2,567.81)		
Sale of Capital Assets			-	-	-
Net Cash Provided (Used) by Capital and Related			-	-	-

Financing Activities		<u>(31,020.00)</u>	<u>(2,567.81)</u>	-	-
	<u>(22,778.00)</u>				
Cash Flows from Noncapital Financing Activities:					
Operating Transfers In				-	
Operating Transfers Out				-	
Other Expense				-	
Net Cash Provided (Used) by Noncapital Financing Activities:	-	-	-	-	-
Cash flows from Investing Activities:	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	(7,995.49)	140,733.84	76,949.75	3,811.84	13,735.78
Cash and Cash Equivalents at Beginning of Year	(315,965.62)	1,020,573.29	107,630.57	25,281.05	39,352.45
Cash and Cash Equivalents at End of Year	(323,961.11)	1,161,307.13	184,580.32	29,092.89	53,088.23
	<u>(0.00)</u>	<u>(0.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.00)</u>

**STATE OF SOUTH
DAKOTA
DEPARTMENT OF
CORRECTIONS
PHEASANTLAND
INDUSTRIES
BALANCE SHEET
06/30/1999**

<u>ASSETS</u>	<u>Carpentry</u>	<u>Upholstery</u>	<u>Truck</u>	<u>Total</u>
Cash and Cash equivalents		68,546.55	(228.30)	184,580.32
	\$116,262.07			
Accounts Receivable	1,286.98	637.08		1,924.06
Due from other Agencies	13,438.41	15,144.00		28,582.41

Interest Receivable				-
Due from other Funds	143.50	1,086.79	1,733.74	2,964.03
Prepaid Expense				-
Inventory	83,692.66	54,081.75		137,774.41
Land				-
Buildings and Improvements	88,342.67			88,342.67
Accum Depreciation - Bldg.	(20,970.29)			(20,970.29)
Equipment	27,723.35	11,831.17		39,554.52
Accum Depreciation - Equipment	(21,633.08)	(8,829.92)	-	(30,463.00)

TOTAL ASSETS		\$142,497.42		\$432,289.13
	\$288,286.27		\$1,505.44	

LIABILITIES AND FUND EQUITY

Liabilities:				
Accounts Payable	\$17,358.56	1,599.05	20.67	18,978.28
Due to Other Funds	38,104.81	25,066.62	1095.79	64,267.22
Due to Other Agencies	3,633.38	1,678.80	388.98	5,701.16
Salaries Payable	3,789.15	1,867.80		5,656.95
Deferred Revenue	4,639.90			4,639.90
Accrued Employee Benefits - LT	7,609.21	12,646.52	-	20,255.73
Total Liabilities	75,135.01	42,858.79	1,505.44	119,499.24

Fund Equity:				
Contributions	2,286.89	312.50		2,599.39
Unreserved Retained Earnings	210,864.37	99,326.13		310,190.50
Total Fund Equity	213,151.26	99,638.63	-	312,789.89

Total Liabilities and Fund Equity	\$288,286.27	\$142,497.42	\$1,505.44	\$432,289.13
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**STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF REVENUES,
EXPENSES
AND CHANGES IN RETAINED**

**EARNINGS
FOR THE TWELVE MONTHS ENDED
06/30/99**

	<u>Carpentry</u>	<u>Upholstery</u>	<u>Truck</u>	<u>Total</u>
Operating Revenue:				
Sales and Services	\$273,484.09	166,700.63	4,935.58	\$445,120.30
	9			0
Rent Income				\$-
Other Revenue				\$-
Total Operating Revenue:	<u>273,484.09</u>	<u>166,700.63</u>	<u>4,935.58</u>	<u>445,120.30</u>
Cost of Goods Sold	<u>261,082.08</u>	<u>137,562.44</u>		<u>398,644.52</u>
Gross Profit	12,402.01	29,138.19	4,935.58	46,475.78
Operating Expenses:				
Personal Services and Benefits	46,327.34	37,106.02		83,433.36
Travel	11.00		4,291.06	4,302.06
Inmate Labor	(1,593.43)	1,154.56		(438.87)
Contractual Services	2,714.35	2,955.19	845.97	6,515.51
Supplies	14,169.55	1,459.21		15,628.76
Depreciation	4,452.26	954.60		5,406.86
Fixed overhead Absorbed		(53,490.59)	-	
	(127,358.50)			(180,849.09)
))
Total Operating Expenses	<u>(61,277.43)</u>	<u>(9,861.01)</u>	<u>5,137.03</u>	<u>(66,001.41)</u>
Nonoperating Revenue (Expenses):				
Interest Income				-
Other Income			863.74	863.74
Other Expense	(37,234.81)	(22,696.26)	(662.29)	(60,593.36)
Total Nonoperating Revenue (Expenses)	<u>(37,234.81)</u>	<u>(22,696.26)</u>	<u>201.45</u>	<u>(59,729.62)</u>
Net Income (Loss) Before Operating Transfers	36,444.63	16,302.94	(0.00)	52,747.57
Operating Transfers:				
Operating Transfers In				
Operating Transfers Out				-
Net Operating Transfers	-	-	-	-

Net Income (Loss)	36,444.63	16,302.94	(0.00)	52,747.57
Retained Earnings at Beginning of Year	174,025.74	82,948.19	-	256,973.93
Decrease in Contributed Capital	<u>394.00</u>	<u>75.00</u>	-	<u>469.00</u>
Retained Earnings at End of Year	<u>\$210,864.3</u>	<u>\$99,326.13</u>	<u>\$(0.00)</u>	<u>\$310,190.5</u>
	<u>7</u>			<u>0</u>

**STATE OF SOUTH DAKOTA
DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
STATEMENT OF CASH FLOWS
AND CHANGES IN RETAINED
EARNINGS
FOR THE TWELVE MONTHS ENDED
06/30/99**

	<u>Carpentry</u>	<u>Upholstery</u>	<u>Truck</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Operating Income (Loss)	36,444.63	16,302.94	(0.00)	52,747.57
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	4,452.26	954.60	-	5,911.57
Decrease/(Increase) in Assets:				
Receivable	40,625.43	(5,413.86)		35,211.57
Due From Other Funds	1,930.98	2,805.54	(1,131.97)	3,604.55
Prepaid Expenses				-
Inventory		(20,347.98)		
	(23,006.80)			(43,354.78)
Increase (Decrease) in Liabilities:				
Accounts Payable	8,148.89	1,242.61	(75.22)	9,316.28
Due to other Funds	(794.73)	5,547.82	(3,475.16)	1,277.93
Due to other Agencies	1,469.81	891.21	372.30	2,733.32
Salaries Payable	2,159.54	311.83		2,471.37
Accrued Leave Liability	6,222.96	(759.97)		5,462.99
Deferred Revenue	4,639.90	-	0	4,639.90
Net Cash Provided (Used) by Operating Activities	82,292.87	1,534.74	(4,310.05)	79,517.56
Cash Flows from Capital and Related Financing				

Activities:				
Purchases of Capital Assets	(2,567.81)			(2,567.81)
Sale of Capital Assets				-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,567.81)</u>	-	-	<u>(2,567.81)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Transfers In				
Operating Transfers Out				
Other Expense				
Net Cash Provided (Used) by Noncapital Financing Activities:	-	-	-	-
Cash flows from Investing Activities:	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	79,725.06	1,534.74	(4,310.05)	76,949.75
Cash and Cash Equivalents at Beginning of Year	36,537.01	67,011.81	4,081.75	107,630.57
Cash and Cash Equivalents at End of Year	116,262.07	68,546.55	(228.30)	184,580.32