

STATE OF WYOMING

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

For Fiscal Year Ended
June 30, 1994

DAVID G. FERRARI
STATE AUDITOR

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Introductory Section



ELK

DAVID G. FERRARI, State Auditor**DECEMBER 7, 1994****Capitol Building
Cheyenne, Wyoming 82002
307/777-7831****TO THE CITIZENS,
GOVERNOR AND MEMBERS
OF THE LEGISLATURE OF
THE STATE OF WYOMING**

In accordance with W.S. 9-1-403(a)(v), I am pleased to present this Comprehensive Annual Financial Report of the State of Wyoming for the fiscal year ended June 30, 1994. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the office of the State Auditor.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University of Wyoming have been prepared in conformance with the American Institute of Certified Public Accountants' "Industry Audit Guide - Audits of Colleges and Universities."

The financial statements have been prepared primarily from accounts and records maintained by the State Auditor. The financial data for the Wyoming Retirement System, Wyoming Department of Transportation, University of Wyoming, and the Science Technology and Energy Authority have been derived from reports prepared by those organizations based on independent audits and independent accounting systems maintained by them.

The general purpose financial statements contained in this report have not been audited. In our annual financial reports of prior years, it was noted that Wyoming's financial statements should be audited annually by an independent certified public accountant (CPA) or CPA firm, in order to comply with generally accepted accounting principles and auditing standards.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the State's organizational chart, and a list of the State's principal officials. The Financial Section includes the general purpose financial statements and the combining statements and schedules. The Statistical Section includes fiscal, social and demographic information about Wyoming.

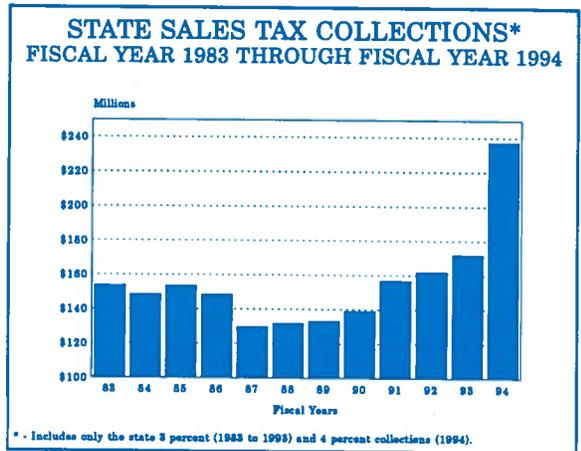
ECONOMIC CONDITION AND OUTLOOK

Wyoming's economy continues to show signs of stability, in light of a slightly increasing population between 1993 and 1994, which increased from a projected 470,440 to 473,424. The civilian labor force increased slightly from 241,243 in September 1993 to 249,473, in September 1994, as did the employed labor force (from 230,115 to 240,042). Unemployment in September 1994 was down by 15.2 percent, compared to a year earlier and the seasonal adjusted unemployment rate dropped from 5.4 percent in September 1993 to 4.5 percent in September 1994.

Total personal income was up 6.9% in the second quarter of 1994 compared to a year earlier and total bank deposits in the second quarter of 1994 were up 2.8% over the same period one year earlier. New domestic profit corporations registered with the Secretary of State were up in September 1994 by 3.8%, compared to September 1993. New foreign profit corporations were up 42.9% over the same period.

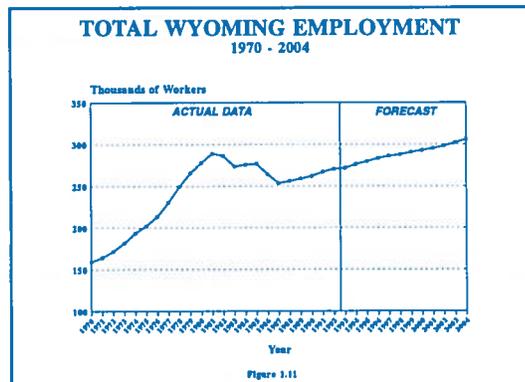
Consumer confidence remained strong in Wyoming throughout most of Fiscal Year 1994, as evidenced by the fact that sales tax collections for the year exceeded the previous level by a margin of 37.9 percent. The State sales and use tax rate was increased from 3% to 4% on July 1, 1993. It is estimated that even without this rate hike, total collections would have been up approximately 3.4%, reflecting continuing growth in the State's retail sales. Fiscal year 1994 marked the seventh consecutive year in which the State's sales tax collections showed an increase.

Each year the Division of Economic Analysis (EA) of the Department of Administration and Information forecasts economic conditions in Wyoming for a twelve-year period. According to EA, the three industries that have been and continue to be principal economic drivers are: 1) mining, 2) agriculture, and 3) tourism. Efforts have been focused, over the past several years, on diversifying our economy, and the forecasts reflect some success as a result of these efforts.



Employment

Total employment is forecasted to grow from the 1993 level of 272,400 to 308,850 by the year 2004. This represents an average annual growth rate of 1.2 percent, or an increase of 36,450 workers over the twelve-year period.

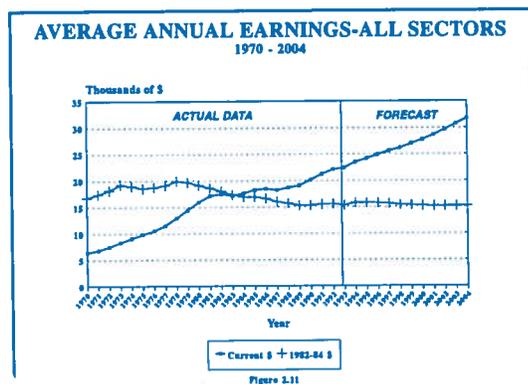


All sectors of the Wyoming economy except agriculture are forecasted to gain workers over the next twelve years. Agriculture is forecasted to lose only 380 workers. The largest growth is expected in the services sector, with 16,230 new workers. This represents an average annual growth rate of 2.1 percent. Retail trade exhibited the second largest growth with a projected gain of 7,460 workers. This is followed by manufacturing, which is forecasted to gain 2,320 workers.

The government sector is also forecasted to increase by 1,580 workers. By the year 2004, there will be nearly 49,000 employees in state and local government, 16.0 percent of all workers in Wyoming. This is down from the current level of 17.4 percent.

Employment opportunities for our graduating high school seniors and students finishing their studies at our University and community colleges continue to be a concern to state policymakers.

Wage Rates/Total Personal Income by Residence



Just as the future employment picture looks brighter, the forecasted **wage rates** and **total personal income by residence** are also encouraging. Annual wage rates for all sectors are expected to increase throughout the forecast period, averaging 3.2 percent annual growth in current (nominal) dollars. In constant dollars (inflation adjusted, 1982-84=100), wage rates are forecasted to decline at an average annual rate of 0.2 percent. Wage rate growth is expected to exceed the all sector average in the wholesale trade, mining, services, manufacturing, FIRE (Finance, Insurance & Real Estate), and government sectors. All other sectors are expected to realize growth in annual wage rates throughout the forecast period.

Total personal income by residence, measured in current dollars, is expected to grow at the average annual rate of 4.4 percent, increasing from the 1993 level of \$8.7 billion to \$14.0 billion by 2004. **Per capita personal income**, in current dollars, is forecasted to increase at an average rate of 3.9 percent annually, growing from \$18,550 in 1993 to \$28,140 in 2004. After adjusting for average annual inflation of 3.3 percent, constant dollar per capita personal income is forecasted to increase at an average annual rate of 0.5 percent.

WYOMING'S MINERALS

Because Wyoming's minerals provide such a large portion of the total revenues which support our schools, colleges, cities, counties, and state government, the economic outlook for this industry is especially important. As reported over the last three years, forecasts for mineral production and the resultant revenue show mixed signals.

Coal

Coal production is expected to increase by an average of 3.7 percent per year throughout the forecast period. Gross production will increase from 209.9 million tons in 1993 to 313.4 million tons in 2004. The price received for Wyoming coal is expected to decrease through 1997, and turn upward for the remainder of the forecast period, at an average annual rate of 1.4 percent. In constant dollars, coal prices will decline 1.9 percent throughout the forecast period. Gross value of coal production will increase from \$1.6 billion in 1993 to \$2.7 billion in 2004. In constant dollars, the gross value of coal is expected to increase from \$1.1 billion in 1993 to \$1.3 billion in 2004. Wyoming currently leads the nation in coal production.

TOTAL PERSONAL INCOME BY RESIDENCE
1970 - 2004

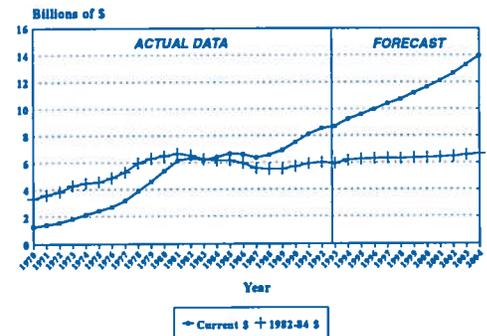


Figure 4.11

PER CAPITA PERSONAL INCOME
1970 - 2004

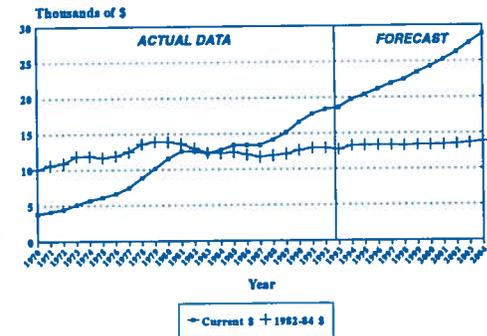


Figure 4.15

WYOMING GROSS COAL PRODUCTION 1970 - 2004

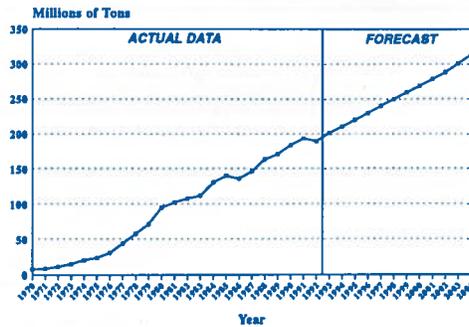


Figure 5.14

AVERAGE PRICE OF WYOMING COAL 1970 - 2004

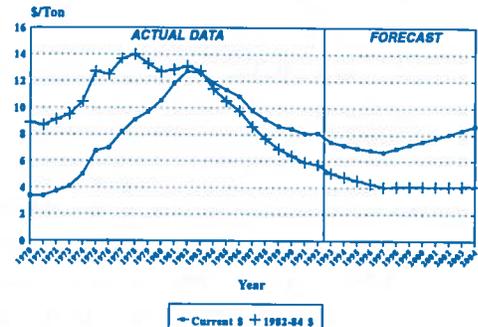


Figure 5.15

Natural Gas

Natural gas certainly continues to be one of the bright spots in Economic Analysis' forecasts where production is forecasted to increase from 1,052 million mcf in 1993 to 1,286.5 million mcf in 2004. This expected increase assumes increased transport capacity and higher prices received in response to increased demand. The average annual rate of increase from 1993 through 2004 is expected to be 1.9 percent. The price for natural gas is expected to increase at an average annual rate of 6.8 percent (3.4 percent in constant dollars), climbing from \$1.90 per mcf in 1993 to \$3.93 per mcf in 2004. The gross value of production is forecasted to increase by an average of 8.8 percent per year (5.3 percent in constant dollars), from \$2.0 billion in 1993 to \$5.1 billion in 2004.

WYOMING GROSS NATURAL GAS PRODUCTION 1970 - 2004

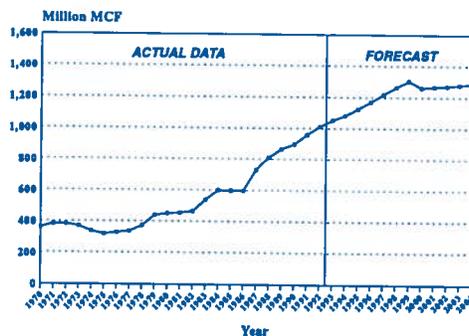


Figure 5.13

AVERAGE PRICE OF WYOMING NATURAL GAS 1970 - 2004

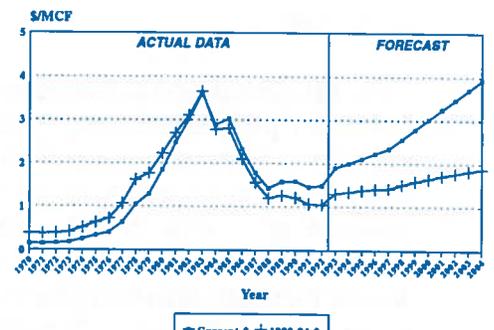
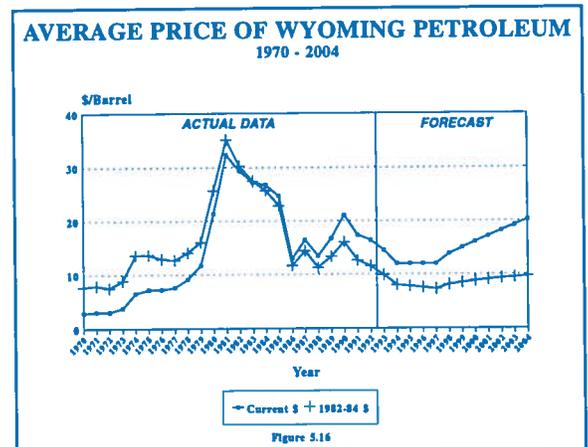
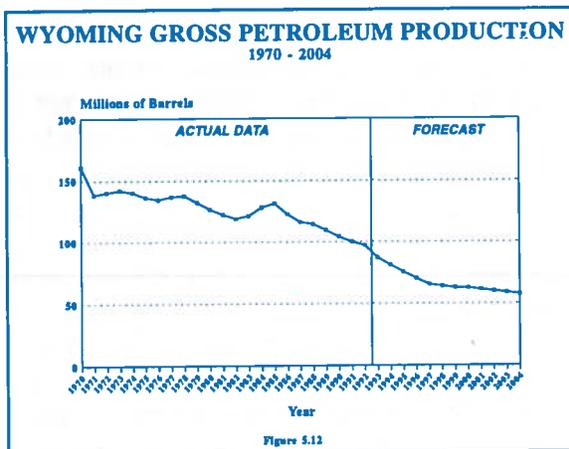


Figure 5.17

Petroleum

Petroleum production is forecasted to decline from 87.7 million barrels to 57.3 million between 1993 and 2004. This represents an average annual decline of 3.8 percent. The price for petroleum is forecasted to increase at an average annual rate of 3.1 percent. Oil prices are expected to attain a level of \$20.22 per barrel in 2004. Gross value of production is expected to decline at an average annual rate of 0.8 percent through the forecast period. In constant dollars, gross value of production is forecasted to decline at an average annual rate of 4.0 percent through the forecast period.



Soda Ash

Soda ash production is forecasted to increase at an average rate of 2.7 percent annually. Gross production will increase from 8.8 million tons in 1993 to 11.8 million tons in 2004. The price of soda ash over the same period is expected to increase at a rate of 3.0 percent annually, rising from \$98.00 per ton in 1993 to \$136.07 per ton in 2004. In constant dollars, however, the price for soda ash will decline at an annual rate of 0.3 percent. The value of gross production is forecasted to increase from \$860.6 million in 1993 to \$1.6 billion in 2004. This represents an average annual increase of 5.8 percent (2.4 percent in constant dollars) for the forecasted period.

WYOMING GROSS SODA ASH PRODUCTION

1970 - 2004

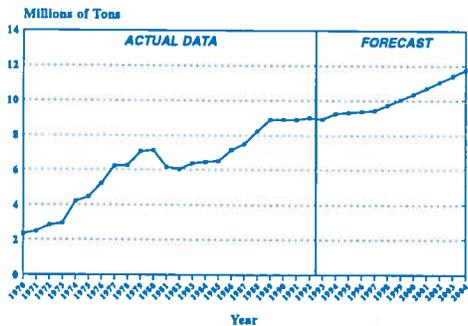


Figure 5.15

AVERAGE PRICE OF WYOMING SODA ASH

1970 - 2004

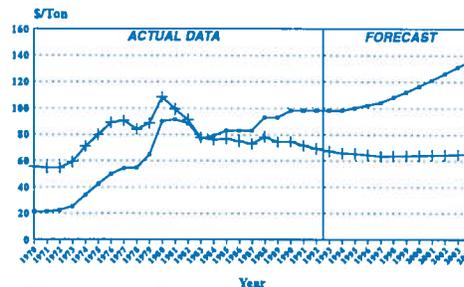
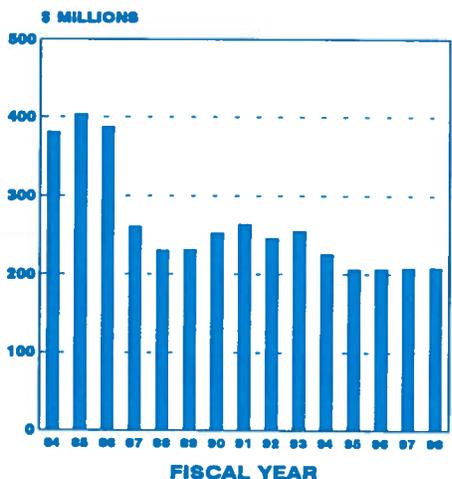


Figure 5.19

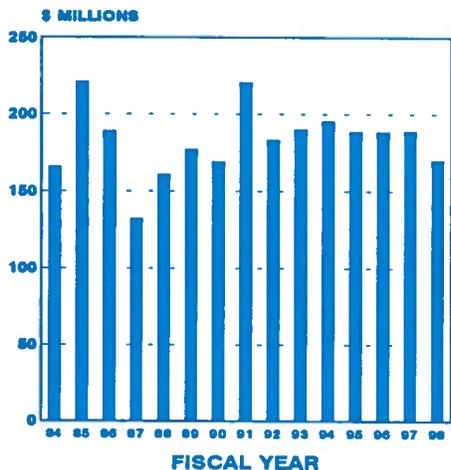
MINERAL SEVERANCE TAXES

FY 1984 - FY 1998



FEDERAL MINERAL ROYALTIES

FY 1984 - FY 1998



Revenue Projections

Although there are some isolated signs of optimism in the years ahead for the production and sale of Wyoming's mineral resources, the overall forecast continues to spell difficult times for state government's revenue picture. **Mineral severance tax** collections in fiscal years 1995 through 1998 are forecasted to be lower than any level since 1981. The total level expected for the 1995-96 biennium of \$405.9 million is \$72.9 million less than that received in the 1993-94 biennium, and is \$102.3 million less than that received in the 1991-92 biennium. Revenue projections for the 1997-98 Biennium are only slightly more encouraging at \$414.1 million.

Revenue projections for **federal mineral royalties** are also quite dismal. The 1993-94 biennium total of \$384.4 million compares to \$402.8 in the 1991-92 biennium. The 1995-96 biennium projection declines slightly to \$375.7 million, while the 1997-98 biennium projections further slides to \$357.9 million.

I would again emphasize that funding state government for the next several years will be considerably more difficult. The State cannot continue its existing level of government services, without major changes in the way it does business.

I urge our policymakers to begin operating state government based on strategic long-term plans: with defined and quantifiable goals and objectives; with performance measurement reporting; and with program and performance auditing and evaluations. Attention to sound management planning and control techniques may be the only way to avoid chaotic taxing and spending policies.

MAJOR INITIATIVES

In light of Wyoming's limited revenues available to balance the State budget, State policymakers continue to examine issues which will contribute to better, more affordable and more efficient government.

GAAP Implementation Act

Legislation suggested by the State Auditor during the 1993 Legislative Session resulted in passage of Chapter 225, the GAAP Implementation Act. We have converted the State's previous modified cash basis accounting to the modified accrual basis. The accounting and financial reporting activity is improved so that, for the first time in history, Wyoming citizens are provided an accurate picture of the State's financial position. Additionally, this process "freed up" approximately \$200 million for legislative disposition.

State Agency Plans

In the State Auditor's 1992 CAFR, the Legislature was urged to address performance measurements and program evaluations, in order to provide the citizens of Wyoming with a clear definition of goals and objectives and an indicator of how efficiently and effectively taxpayer funds are being used by State government agencies.

Chapter 121, Original Senate File No. 154, was passed in the 1993 session, which outlined a number of requirements designed to address the lack of planning and follow-up in the bureaucracy. This legislation requires each department to prepare a plan, identifying its goals and objectives and performance measures that provide methods and techniques to measure the agency's performance. Each agency is required to prioritize each program, and to provide information for the evaluation of a number of important criteria. These plans are now available and must be used to allocate our scarce resources in future program funding decisions. My office has begun development of a **Performance Measurement Reporting System** which is being designed to disclose the outcomes of program operations.

WYOMING GROSS SODA ASH PRODUCTION

1970 - 2004

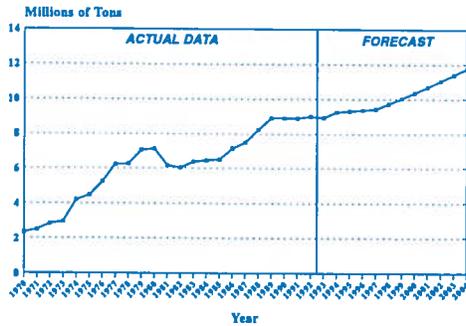


Figure 5.15

AVERAGE PRICE OF WYOMING SODA ASH

1970 - 2004

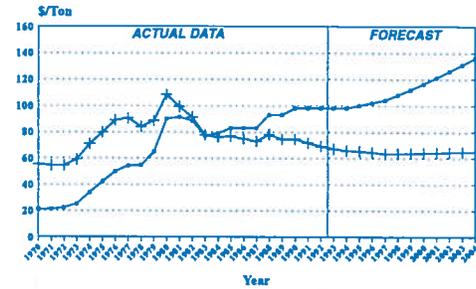
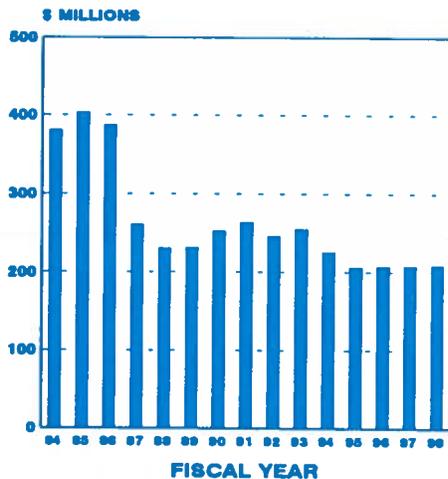


Figure 5.19

MINERAL SEVERANCE TAXES

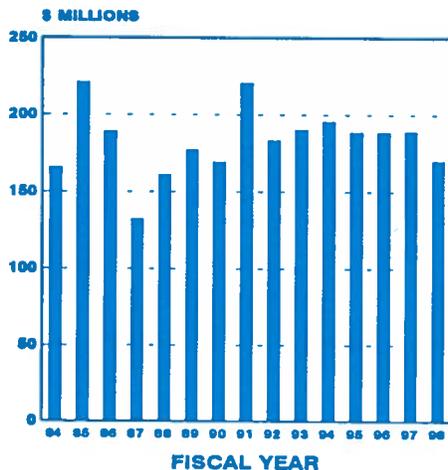
FY 1984 - FY 1998



FISCAL YEAR

FEDERAL MINERAL ROYALTIES

FY 1984 - FY 1998



FISCAL YEAR

Revenue Projections

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I urge our policymakers to begin operating state government based on strategic long-term plans: with defined and quantifiable goals and objectives; with performance measurement reporting; and with program and performance auditing and evaluations. Attention to sound management planning and control techniques may be the only way to avoid chaotic taxing and spending policies.

Wyoming Bond Guarantee Program

During the 1994 Legislative Session, legislation initiated by my office was passed which utilizes our Permanent Funds to guarantee payments for local construction bond issues for our public schools and cities, towns and counties. By guaranteeing these payments, all qualifying bond issues will receive the highest ratings issued by the bond rating companies. This means that the interest rates charged on these bonds will be the lowest available. My office projects that this program alone, if fully utilized, will save Wyoming taxpayers up to \$100,000,000 over its lifetime. This program is expected to begin operation early next year.

Early Retirement Proposal

I urge the 1995 Legislature to consider an **Early Retirement Incentive Plan** proposed by my office. This proposal provides incentives for long-term employees to retire early from State service. These employees, who are approaching retirement age, are at the higher end of the salary schedule, and, although their expertise will be sorely missed in the short term, replacement workers can be hired in at a substantial savings to the taxpayers, at a time when ways must be found to balance revenues with expenditures. My office projects this program, if accepted by 80% of those eligible and with a 10% attrition rate, will save our citizens over \$25 million during its first eight years of operation. This won't balance the State's budget, but it will help.

Ethics Legislation

I also urge our State Legislators to consider ethics legislation during the 1995 session. This bill, drafted by my office, would apply to all branches of government and all public sectors, e.g., colleges, the University, public schools, state, county and city workers. Wyoming is one of only a few states which has no ethics statutes. Passage of this bill will assure Wyoming citizens that their public servants are above reproach.

Wyoming state government is beginning to get its management house in order. The initiatives discussed here will bring more efficient and more effective government to Wyoming taxpayers. Ethics legislation will help in this cause.

FINANCIAL INFORMATION

INTERNAL CONTROLS

Management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgements by management. I believe the internal control structure of the State meets these objectives.

BUDGETARY PROCESS

Wyoming statutes require the Governor to prepare and submit a biennial budget to the legislature each odd numbered year prior to the beginning of the legislative session. Budgets are prepared for a biennial period beginning on July 1st of even numbered years (July/92-June/94) and are supplemented, if necessary, with supplemental appropriations during the odd numbered year's legislative sessions. The Legislature may add, change, or delete any items in the budget proposed by the Governor.

The Legislature appropriates substantially cash basis budgets for a majority of the funds at the program level within an agency (administration, revenue division, investigations, etc.). The State budget office maintains budgets for budgeted funds at the series level within a program (personal services, support services, etc.). Agency budget analysts are allowed to transfer appropriations from one series to another series within an agency's program but the Governor must approve all changes in appropriations at the program level. The State's legal level of budgetary control is at the program level.

Supplemental appropriations have been included in the budget column of the budget and actual statements and schedules. In the budget and actual statements, encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded as expenditures and liabilities in order to reserve that portion of the applicable appropriations, is employed for budgetary

control purposes. Some unencumbered appropriations lapse at the end of each biennium while other unencumbered appropriations are carried over to future bienniums upon approval of the Budget Division. Capital projects funds are budgeted on a project length basis. Encumbrances are reported as a reservation of fund balance are carried forward for use in future years.

REPORTING ENTITY

The State implemented GASB Statement 14, "The Financial Reporting Entity." Entities over which the State has significant operational or financial relationships such as boards, commissions, colleges and universities are considered component units. Component units are either discretely presented or blended. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government (the State). Blending requires the component unit's balances and transactions to be reported with the balances and transactions of the State. The Retirement System is the State's blended component unit.

The following organizations comprise the State's discretely presented component units: Department of Transportation and Science Technology and Energy Authority (STEA), while the Wyoming Community Development Authority (WCDA), is a related organization.

GENERAL FUND

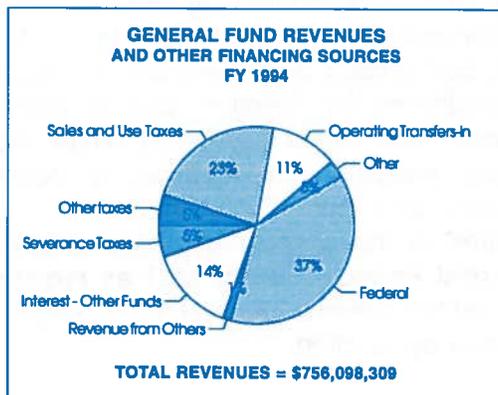
Total general fund revenues and other financing sources and expenditures and other financing uses are presented in a pie chart format to display a comparison of the sources and uses as they relate to total sources and uses in the general fund.

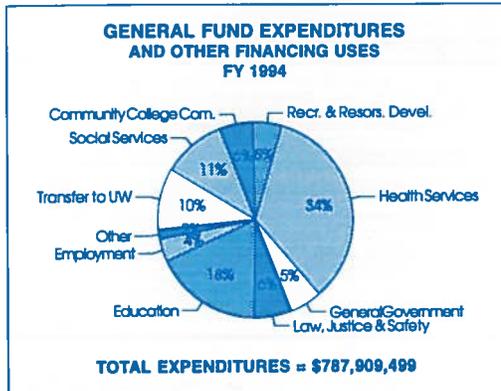
No comparisons are made this year to prior years for general fund revenues and expenditures by function due to the lack of consistency caused by the conversion to GAAP. Future reports will present a comparison of governmental fund revenues by source and expenditures by function and a narrative of significant fluctuations. The tables presented below include revenue and expenditure accruals. In addition, a significant decrease of expenditures and operating transfer-in was made to reflect expenditures in the appropriate funds (Worker's Compensation Fund, Capital Projects Funds, etc.) as required by GAAP. The following tables present general fund revenues by source and expenditures by function.

General Fund Revenue and Other Financing Sources

Taxes		
Sales and Use		\$ 172,432,198
Mineral Severance		39,065,675
Other Taxes		38,864,554
Licenses and Permits		2,138,350
Fines & Forfeitures		1,755,864
Use of Property		5,406,831
Interest Income		4,896,365
Interest from Other Funds		106,465,658
Charges for Sales & Services		8,250,779
Revenue from Others		10,365,557
Federal		<u>282,968,879</u>
Total Revenues		672,610,710
Other Financing Sources		
Operating Transfers-in		83,259,668
Other		<u>227,931</u>
Total Other Financing Sources		83,487,599
Total Revenue and Other Financing Sources		\$ 756,098,309

In a significant departure from prior year's terminology, "interest from other funds" is reported separately from interest earned on just general fund cash and investment. A breakdown of the sources of this interest revenue is provided in the required supplementary information portion of the general purpose financial statements. Sales and use tax is notably higher than previous years due to legislative action which increased the tax by 33 percent.



General Fund Expenditures and Other Financing Uses

(Education includes transfers to the Foundation Program.)

General Government	\$ 41,810,371
Regulation of Business	6,272,271
Education	89,614,480
Health Services	270,214,891
Law, Justice and Safety	49,627,790
Employment	29,496,366
Recreation and Resource Development	37,855,770
Social Services	<u>83,020,561</u>
Total Expenditures	607,912,500

Other Financing Uses	
Transfers-out	<u>179,996,999</u>
Total Other Financing Uses	179,996,999

Total Expenditures and Other Financing Uses **\$ 787,909,499**

In a significant departure from the cash basis statements, expenditures for payments to the University of Wyoming are no longer reported as "education expenditures." Appropriations to the University are reported as operating transfers out of the general fund and as revenue from State and State agency appropriations in the University funds. Related expenditures of state and state agencies appropriation are subsequently reported as expenditures in University fund when expended.

PROPRIETARY FUNDS

The State of Wyoming enterprise operations are comprised of the Liquor Commission, Institution Canteens, Subsidence Insurance, Local Government Insurance, Honor Farm Agricultural Sales, Commerce Enterprise, Wyoming Health Insurance Pool and Workers' Compensation. The negative retained earnings reported in the enterprise fund type are primarily due to the recognition of \$259 million of incurred and incurred but not reported claims as a liability of the Workers' Compensation Fund.

In addition, the State operates ten internal service funds which provide goods and services to state and local governments on a cost reimbursement basis.

FIDUCIARY FUNDS

The State reports expendable trust funds for which the principal and interest can be spent for the specific purpose of the trust. Non-expendable trust funds are presented for which the interest on the principal is expendable. The State reports pension trust funds which provide pension benefits to state and local government employees upon retirement and agency fund operations which report assets held in a fiduciary capacity for others.

DEBT ADMINISTRATION

As of June 30, 1994, the State had a number of debt issues outstanding. These debts included two refunding revenue bonds which were used to defease three revenue bond issues for financial reporting purposes in fiscal year 1993 and numerous bond issues by the University for self liquidating capital construction projects.

CASH MANAGEMENT

Cash temporarily idle during the year and balances held in trust were invested in bank deposits, U.S. Treasury Securities, repurchase agreements and other investment instruments. The interest on these investments and deposits is credited to each fund based on the fund's participation in the cash and investment pool. Many funds are not allowed by law to receive interest, so the interest earned on these funds is credited to the general fund. The general fund earned \$106.5 million in fiscal year 1994 from funds which cannot legally retain their interest.

RISK MANAGEMENT

The State of Wyoming maintains two self insurance plans: the State self-insurance program and the State employee medical, life, and dental insurance program. Each of these plans are reported in internal service funds. In addition, the State administers one public entity risk pool and three insurance enterprises that are reported in an enterprise fund as required by GASB Statement No. 10. The public entity risk pool administered by the State does not result in any liability for claims in excess of premium receipts.

CONCLUSIONS AND ACKNOWLEDGEMENTS

This report continues my commitment to clarify and improve financial reporting for the citizens of Wyoming, in order that they may have an accurate picture of the financial condition of their government. It is clear from the financial statements included that many of the State's funds and accounts contain insufficient resources and revenue streams to satisfy the demands placed upon them. It is equally clear, however, that other accounts and funds contain more than adequate resources to meet the demands placed on them. The challenge facing our policymakers is the proper utilization of all of our financial resources in the most efficient manner possible. I hope this report contributes to that end.

The preparation of this report could not have been accomplished without the cooperation of all State agencies. I continue to be impressed with the capable assistance received from the operating departments and am especially appreciative of the staff in the State Auditor's Office. Their commitment to serve the citizens of Wyoming has again been demonstrated throughout the year. We also thank the Wyoming Game and Fish Department for the use of various wildlife photographs which showcase some of Wyoming's magnificent wildlife.

Thank you!

Best regards,



David G. Ferrari
State Auditor

DGF:jlm

PRINCIPAL STATE OFFICIALS

EXECUTIVE BRANCH

Mike Sullivan, Governor

Kathy Karpan, Secretary of State

Dave Ferrari, Auditor

Stan Smith, Treasurer

Diana Ohman, Superintendent of Public Instruction

CITIZENS OF WYOMING

