

**DAVID G. FERRARI, State Auditor****MARCH 20, 1997****Capitol Building  
Cheyenne, Wyoming 82002  
Telephone: 307/777-7831  
FAX: 307/777-6983****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, 1996. 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 conformity 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, Wyoming Community Development Authority 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.

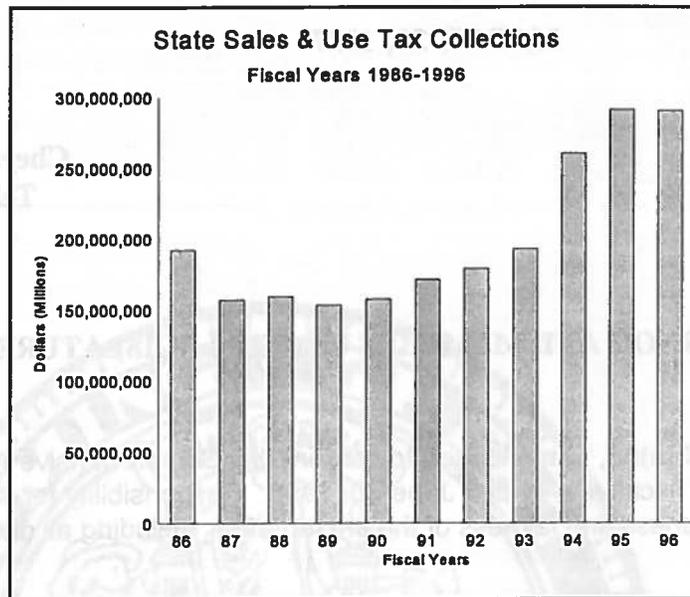
The general purpose financial statements contained in this report have been audited by the firm of Deloitte & Touche LLP. This is the last report in a three year contract with this firm. Bids have been requested for a new contract in 1997.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, the State's organizational chart and a list of the State's principal officials. The Financial Section includes the general purpose financial statements, notes to the 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 slight increase in population between 1995 and 1996, from 480,184 to 487,412. The civilian labor force increased from 258,000 in 1995 to 261,000 in 1996, as did the employed labor force from 248,000 to 251,000. The Wyoming unemployment rate remained steady at 4.7 percent, which is below the national level of 5.4 percent. Total personal income was up 4.6% in 1996 and total domestic bank deposits through June of 1996 were up 13%. Domestic in-state, for-profit corporations registered with the Secretary of State increased 6% during fiscal year 1996 from 2,085 to 2,211.

New foreign, out-of-state, for-profit corporations were up 10% over the same period, from 1,071 to 1,183.

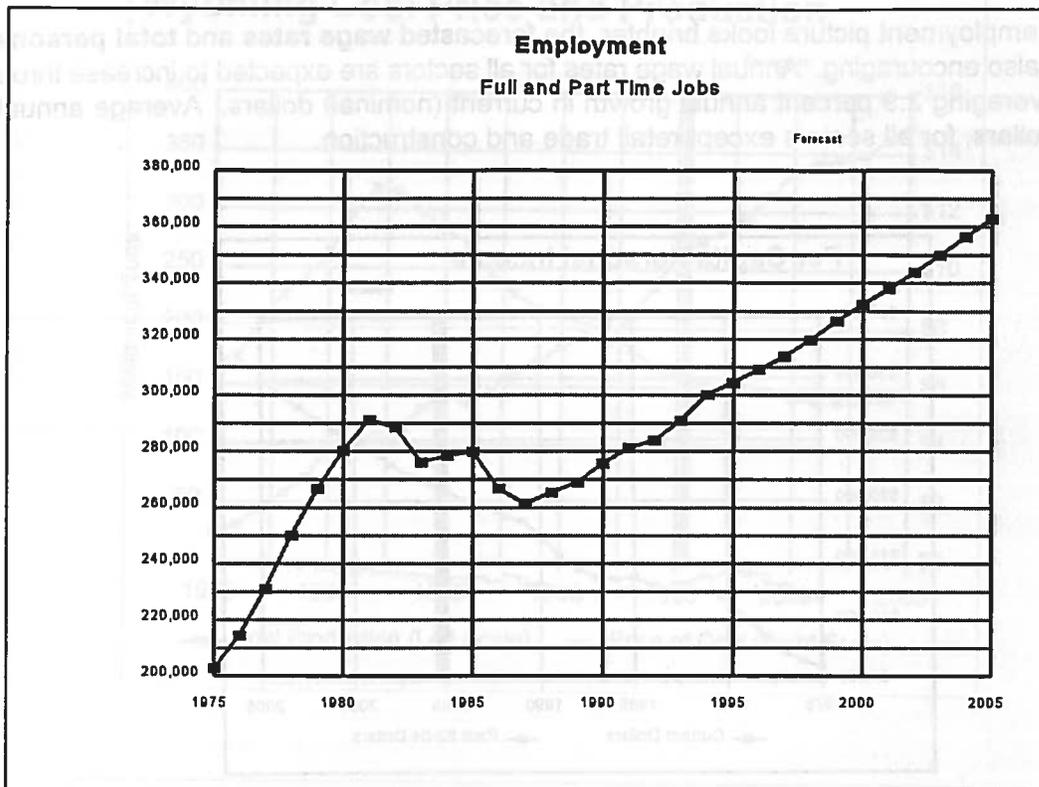


State Sales & Use tax collections for the year decreased by \$1 million. While fiscal year 1996 marked the seventh consecutive year in which the State's sales tax collections increased, use tax declined by 3%.

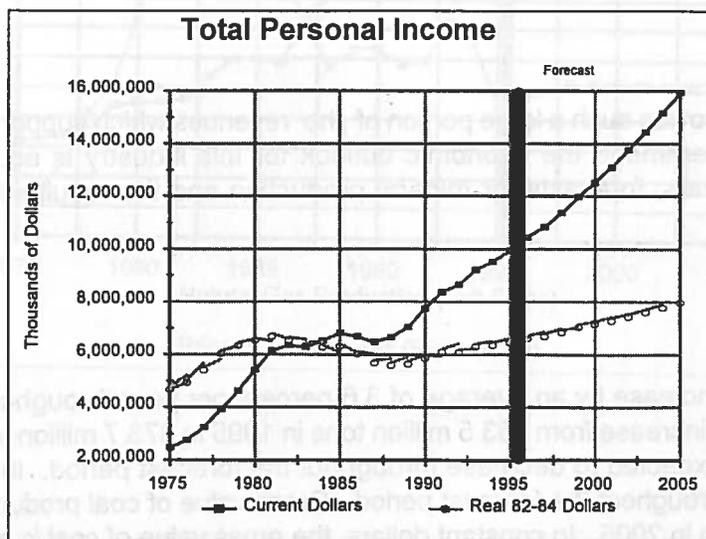
Each year the Division of Economic Analysis (EA) of the Department of Administration and Information forecasts economic conditions in Wyoming for a twelve-year period. According to EA, the three industries that have been and continue to be principal economic drivers are: 1) mining, 2) agriculture, and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

### Employment

**Total employment** is forecasted to grow from the 1995 level of 304,527 to 362,910 in the year 2005. This represents an average annual growth rate of 1.9 percent, or an increase of 58,383 workers over the ten-year period. All sectors of the Wyoming economy are forecasted to gain workers over the next ten years. The fastest growing sector is construction, fueled by the recent housing boom in the State. The largest job growth is expected in the services sector, with 20,242 new workers. This represents an average annual growth rate of 2.5 percent. Retail trade exhibited the second largest growth with a projected gain of 14,273 workers. This is followed by contract construction, which is forecasted to gain 8,057 workers.

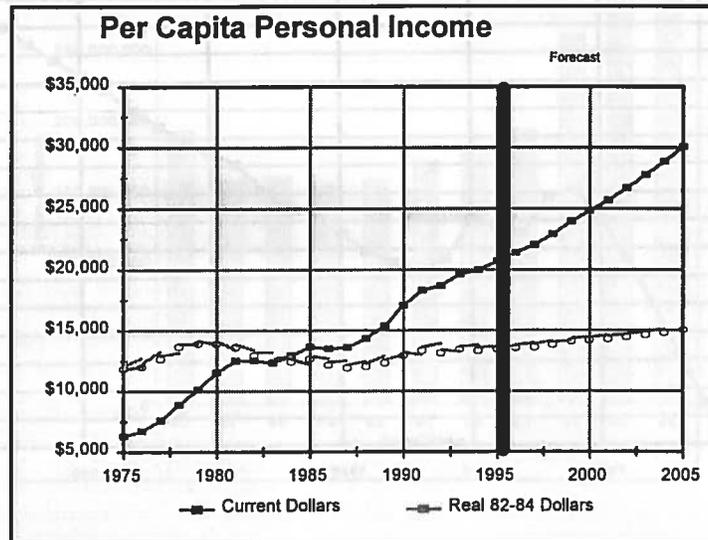


The government sector is forecasted to increase by 5,170 workers. By the year 2005, there will be nearly 52,950 employees in the state and local portion of the government sector, representing 14.6 percent of all workers in Wyoming. This is down from the current level of 15.6 percent. As the local government includes education, Legislative action to comply with the State Supreme Court ruling requiring equity in school financing could alter this forecast.



## 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 2.9 percent annual growth in current (nominal) dollars. Average annual earnings increase, in real dollars, for all sectors except retail trade and construction.



**Total personal income by residence**, measured in current dollars, is expected to grow at an average annual rate of 4.8 percent, increasing from the 1995 level of \$9.9 billion to \$15.9 billion in 2005. **Per capita personal income**, in current dollars, is forecast to increase at an average rate of 3.8 percent annually, growing from \$20,684 in 1995 to \$30,070 in 2005. After adjusting for average inflation of 2.7 percent, constant dollar per capita personal income is forecast to increase at an average annual rate of 1.14 percent.

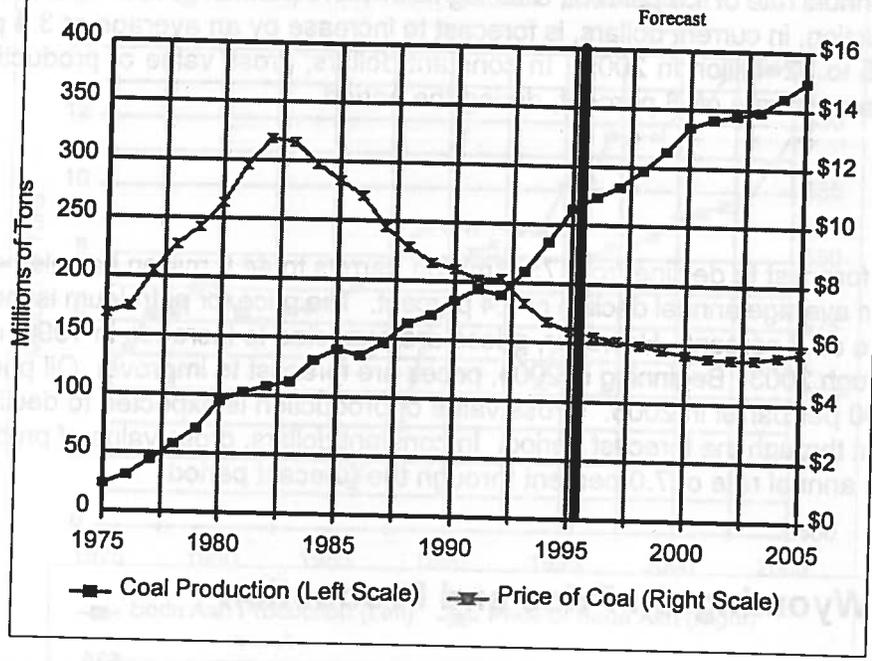
## WYOMING'S MINERALS

Because Wyoming's minerals provide such a large portion of the 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.

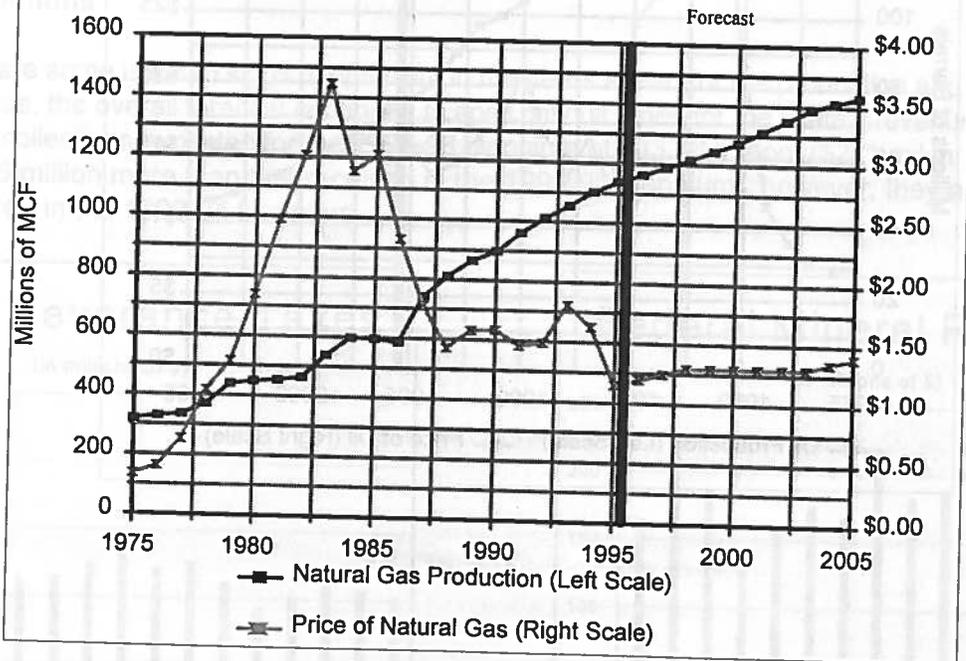
### Coal

Coal production is expected to increase by an average of 3.6 percent per year throughout the forecast period. Gross production is expected to increase from 263.5 million tons in 1995 to 373.7 million tons in 2005. The price received for Wyoming coal is expected to decrease throughout the forecast period. In constant dollars, coal prices will decline 4.5 percent throughout the forecast period. Gross value of coal production will increase from \$1.7 billion in 1995 to \$2.1 billion in 2005. In constant dollars, the gross value of coal is expected to remain the same. Wyoming currently leads the nation in coal production.

### Wyoming Coal Price and Production



### Wyoming Gas Price & Production



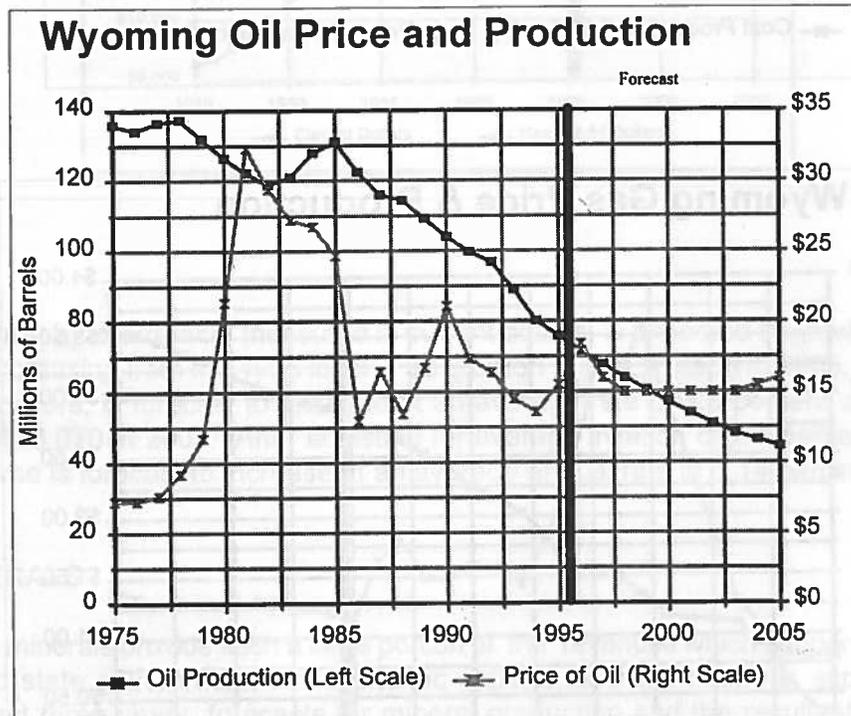
#### Natural Gas

Natural gas certainly continues to be one of the bright spots, where production is forecast to increase from 1,137 million cubic feet (mcf) in 1995 to 1,432 mcf in 2005. This expected increase is based on: 1) steadily growing

demand, 2) expanded pipeline capacities, and 3) new, expanded processing facilities. The average annual rate of increase from 1996 through 2005 is expected to be 2.3 percent. The price for natural gas is expected to increase at an average annual rate of 1.9 percent, climbing from \$1.15 per mcf in 1995 to \$1.40 per mcf in 2005. The gross value of production, in current dollars, is forecast to increase by an average of 3.4 percent per year, from \$1.4 billion in 1995 to \$2 billion in 2005. In constant dollars, gross value of production is forecast to increase at an average annual rate of .8 percent, during the period.

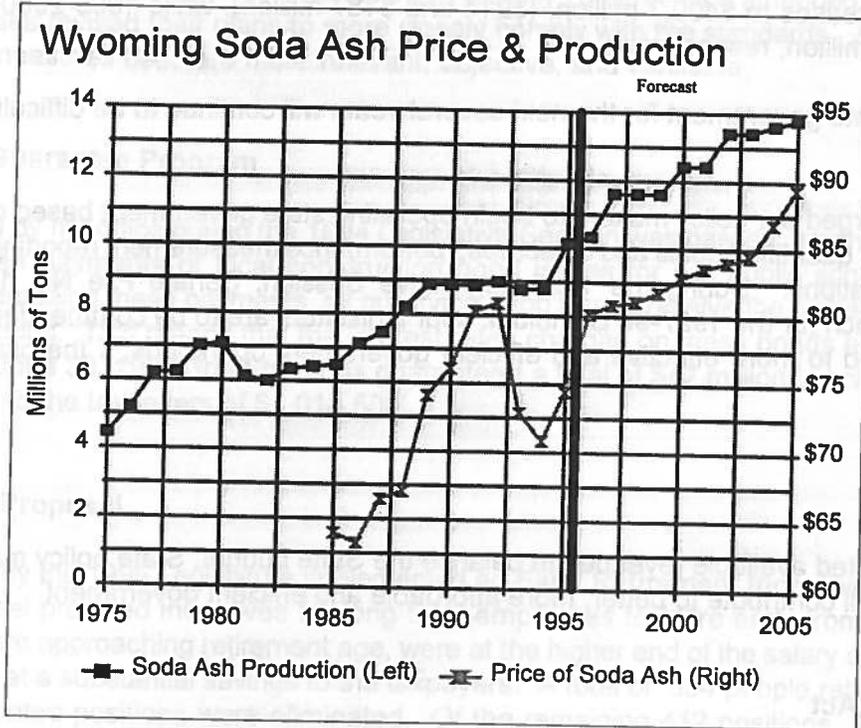
## Petroleum

Petroleum production is forecast to decline from 75.9 million barrels to 44.6 million barrels between 1995 and 2005. This represents an average annual decline of 5.4 percent. The price for petroleum is forecast to increase at an average annual rate of .3 percent. However, prices are expected to increase in 1996, decrease in 1997 and then remain flat through 2003. Beginning in 2004, prices are forecast to improve. Oil prices are expected to attain a level of \$16.00 per barrel in 2005. Gross value of production is expected to decline at an average annual rate of 4.6 percent through the forecast period. In constant dollars, gross value of production is forecast to decline at an average annual rate of 7.0 percent through the forecast period.



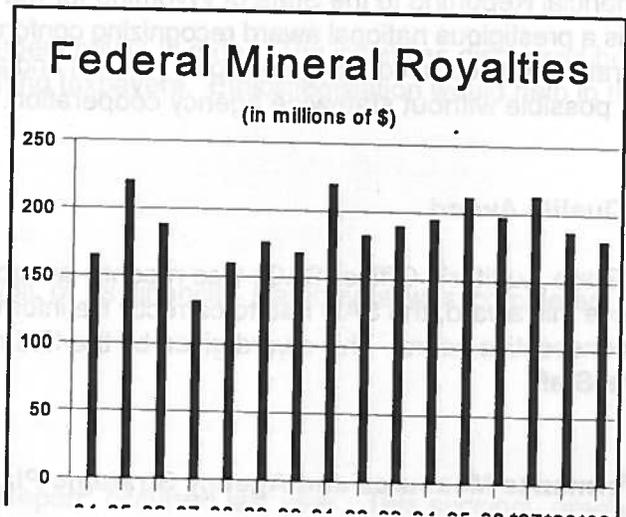
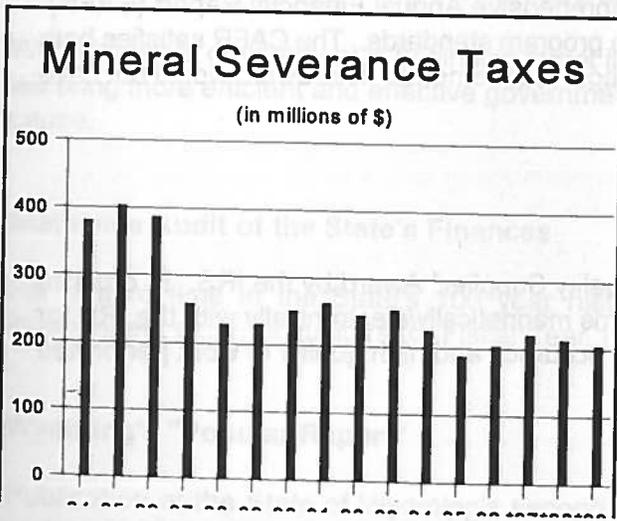
## Soda Ash

Soda ash production is forecast to increase at an average rate of 3 percent annually. Gross production is expected to increase from 10.2 million tons in 1995 to 13.8 million tons in 2005. The price of soda ash over the same period is expected to increase at an average annual rate of 1.9 percent, rising from \$74.42 per ton in 1995 to \$89.40 per ton in 2005. In constant dollars, however, the price for soda ash will decline at an annual rate of .8 percent. The value of gross production is forecast to increase from \$734.64 million in 1995 to \$1.2 billion in 2005.



### 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 the State's revenue picture. **Mineral severance tax** collections expected for the 1997-98 biennium of \$433.8 million, (\$221 mil in 1997 and \$213 mil in 1998) are \$46 million more than that received in the 1995-96 biennium; however, they are \$45 million less than that received in the 1993-94 biennium.



in 1996), compared to \$387.4 million in 1993-94, (\$189 million and \$198 million, respectively). The 1997-98 biennium projection decreases to \$400.7 million, (\$214 and \$187 million), while 1999-2000 slides to \$363.6 million, (\$181 and \$183 million, respectively).

It is clear that funding state government for the next several years will continue to be difficult.

For several years I had urged our policy makers to begin operating state government based on strategic long-term plans with: defined, quantified goals and objectives, performance measurement reporting, program audits and performance evaluations. During the 1995 Legislative Session, Senate File No. 170 was passed, implementing this approach for the 1997-98 Biennium. Our legislators are to be commended for passing this legislation which will lead to more effective and efficient government operations, if the planning process is managed pro-actively.

## **MAJOR INITIATIVES**

In light of Wyoming's limited available revenues to balance the State budget, State policy makers continue to examine issues which will contribute to better, more affordable and 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. The State's previous cash basis accounting was converted to the modified accrual basis. This process "freed up" approximately \$257 million for legislative reappropriation. The consequence of this act has been to provide the Citizen's of Wyoming with a more accurate and complete picture of the State's financial position.

### **Excellence in Financial Reporting**

The Government Finance Officers Association (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the State of Wyoming for the 1995 Comprehensive Annual Financial Report (CAFR). This is a prestigious national award recognizing conformance with program standards. The CAFR satisfies both generally accepted accounting principles (GAAP) and applicable legal requirements. This award would not have been possible without statewide agency cooperation.

### **IRS Quality Award**

The State Auditor's Office (SAO) was recently awarded the "Quality Supplier" Award by the IRS. In order to achieve this award, the SAO had to correctly file information returns magnetically/electronically with the IRS for two consecutive years. This award given by the IRS reflects the accuracy and high quality of work performed by the Staff.

### **Performance Measures and Agency Strategic Plans**

W.S. 28-1-116 requires each State agency to prepare a plan identifying its goals and objectives. It also directs the State Auditor to develop standards for measuring these agency accomplishments. During the past year, SAO staff reviewed all Agency Strategic Plans to determine whether or not they complied with the established performance standards developed by the State Auditor. A total of 6,702 goals, objectives, outcomes, strategies

and outputs were reviewed, with recommendations that roughly 20 percent be amended or eliminated. Following this review, agencies revised their plans to more closely comply with the standards. As a result of this effort, the performance measures used are more relevant, objective, and verifiable.

### **Wyoming Bond Guarantee Program**

Legislation initiated by my office during the 1994 Legislative Session was passed, which utilizes our Permanent Funds to guarantee payments of local construction bond issues for our public schools, cities, towns and counties. By guaranteeing these payments, all qualifying bond issues receive the highest ratings issued by the bond rating companies. This means that the interest rates charged on these bonds are the lowest available. From inception to June 30, 1996, the State has guaranteed a total of \$47 million in school district bonds, at a calculated savings to the taxpayers of \$1,018,500.

### **Early Retirement Proposal**

Legislation passed by the 1995 Legislature implemented an **Early Retirement Incentive Plan** proposed by my office. This proposal provided incentives for long-term employees to retire early from State service. These employees, who were approaching retirement age, were at the higher end of the salary schedule. Replacement workers were hired at a substantial savings to the taxpayers. A total of 554 people retired under the program and 142 of the vacated positions were eliminated. Of the remaining 412 positions, 102 were unfilled as of December 31, 1996. Since inception, the program has created actual savings of \$11.6 million, with the potential to create an additional \$55 million in savings over the next seven years.

### **Ethics Legislation**

State Legislators again considered and defeated ethics legislation during the 1997 session. This bill applied 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 two states which has no ethics statutes. Ethics legislation is necessary to provide much needed direction in government at all levels. The legislation defined a conflict of interest and prescribes a process to follow, should one exist.

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

### **Statewide Audit of the State's Finances**

For a third time in the State's 106 year history, an audit of its financial statements was completed by independent external auditors for Fiscal Year 1996.

### **Wyoming's "Popular Report"**

Publication of the State of Wyoming's second "Popular Report" occurred last year. This succinct, graphic portrayal of financial activities was cited by Financial World Magazine as a "document that clearly, simply and honestly details the State's financial portrait for average citizens . . . .".

### **"Most Improved of the 50 States"**

In 1992, Financial World Magazine dubbed Wyoming the worst managed State in the nation. We improved to 43rd in 1993, there was no ranking in 1994 and we finished 31st in 1995. Wyoming was credited with being one of the most improved of the 50 states, largely because of the following initiatives: conversion to GAAP, production of the CAFR, popular reporting, independent audit of the State's general purpose financial statements, strategic planning and performance-based budgeting.

## 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 judgments by management.

### 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/96-June/98) and are augmented, 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 and are carried forward for use in future years.

### Reporting Entity

The State implemented GASB Statement 14, "The Financial Reporting Entity" during FY-1993. As a result, 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). The following organizations comprise the State's discretely

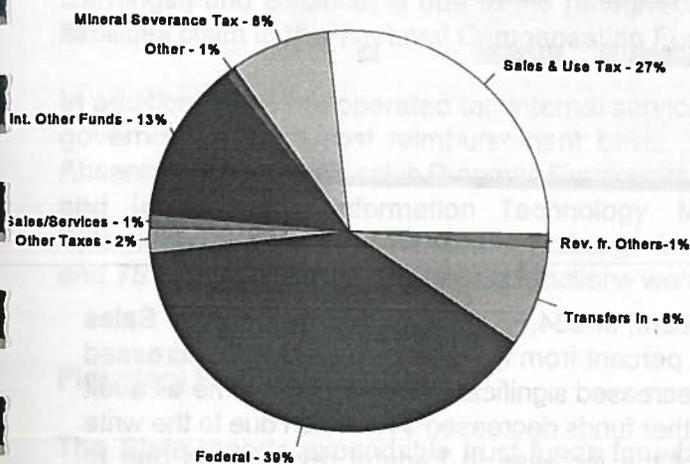
presented component units: Department of Transportation, Wyoming Community Development Authority (WCDA) and Science, Technology and Energy Authority (STEA). Blending requires the component unit's balances and transactions to be included in the balances and transactions of the State.

## General Fund

Total general fund revenues and other financing sources and expenditures and other financing uses are presented in a pie chart format below to display a comparison of the sources and uses as they relate to total sources and uses in the general fund. Tables analyzing the increases and decreases between 1995 and '96 follow.

### Fiscal Year 1996 General Fund

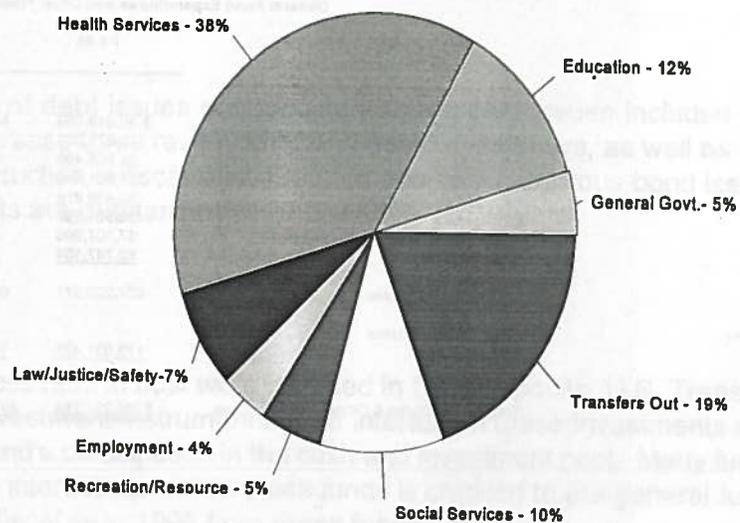
#### Revenue & Other Financing Sources



Total Revenues & Other Financing Sources = \$786,462,055

### Fiscal Year 1996 General Fund

#### Expenditures & Other Financing Uses



Total Expenditures & Other Financing Uses = \$783,843,212

General Fund Revenue and Other Financing Sources				
	FY-95	FY-96	Increase (Decrease)	Percent Change
<b>Taxes</b>				
Sales & Use	\$214,277,412	\$213,124,509	\$(1,152,903)	(.5%)
Mineral Severance	53,808,882	63,308,091	9,499,209	18%
Other Taxes	17,081,889	17,209,871	127,982	7%
Licenses and Permits	2,515,296	3,101,974	586,678	23%
Fines & Forfeitures	2,311,438	504,564	(1,806,874)	(78%)
Use of Property	601,044	1,039,714	438,670	73%
Interest Income	3,584,516	4,180,876	596,360	17%
Interest from Other Funds	116,469,766	98,490,619	(17,979,247)	(15%)
Charges for Sales & Services	10,458,737	11,215,324	756,587	7%
Revenue from Others	8,604,285	10,437,192	1,832,907	21%
Federal	263,360,582	304,208,358	40,848,777	15%
Other	<u>180,800</u>	<u>18,319</u>	<u>(162,481)</u>	(90%)
<b>Total Revenues</b>	<b>693,258,847</b>	<b>726,840,312</b>	<b>33,581,665</b>	<b>5%</b>
<b>Other Financing Sources</b>				
Operating Transfers-in	<u>58,270,856</u>	<u>59,621,743</u>	<u>1,350,887</u>	<u>2%</u>
<b>Total Revenue and Other Financing Sources</b>	<b><u>\$751,529,503</u></b>	<b><u>\$786,462,055</u></b>	<b><u>\$34,932,552</u></b>	<b><u>5%</u></b>

Total revenues and Other Financing Sources increased 5 percent, or \$34,932,552 in fiscal year 1996. Sales & Use Tax decreased by .5 percent. Mineral taxes are up 18 percent from fiscal year 1995 due to increased natural gas prices and coal production. Fines and forfeitures decreased significantly due to a one time oil audit settlement in fiscal year 1995 of over \$2 million. Interest from other funds decreased \$18 million due to the write down of unrealized losses on investments. The majority of the increase in Federal revenues is due to Governmental Accounting Standards Board, (GASB), Statement No. 24 requiring food stamp revenues be recorded for the first time in fiscal year 1996.

General Fund Expenditures and Other Financing Uses				
	FY-95	FY-96	Increase (Decrease)	Percent Change
<b>General Government</b>	<b>\$ 52,019,889</b>	<b>\$43,605,975</b>	<b>(8,413,914)</b>	<b>(16%)</b>
Regulation of Business	2,877,850	3,183,711	305,761	11%
Education	96,555,490	96,587,318	131,828	1%
Health Services	254,961,446	295,025,579	40,064,133	16%
Law, Justice and Safety	52,458,878	53,671,075	1,212,199	2%
Employment	28,501,820	29,000,377	498,757	2%
Recreation & Resource Development	37,107,896	37,210,536	102,540	3%
Social Services	<u>82,747,104</u>	<u>78,311,897</u>	<u>(4,435,207)</u>	<u>(5%)</u>
<b>Total Expenditures</b>	<b>607,230,371</b>	<b>636,696,468</b>	<b>29,466,097</b>	<b>5%</b>
<b>Other Financing Uses</b>				
Transfers-out	<u>173,031,423</u>	<u>147,146,744</u>	<u>(25,884,679)</u>	<u>(15%)</u>
<b>Total Expenditures &amp; Other Financing Uses</b>	<b><u>\$780,261,794</u></b>	<b><u>\$783,843,212</u></b>	<b><u>\$3,581,418</u></b>	<b><u>5%</u></b>

Overall expenditures and other financing sources increased by .5 percent, (one-half of one percent). General government spending decreased by 16 percent due to early retirement savings and the purchase of two computer systems in 1995. Food stamp expenditures (\$23 million) were recorded for the first time, as required by GASB Statement No. 24, in the Health Services category and the balance of the increase was in Medicaid spending during fiscal year 1996. In fiscal year 1995 Social Services was required to make a one-time lawsuit settlement accounting for its decrease

### **Proprietary Funds**

The State of Wyoming enterprise operations during Fiscal Year 1996 were comprised of the Liquor Commission, Institution Canteens, Subsidence Insurance, Local Government Insurance, Honor Farm Agricultural Sales, Wyoming Health Insurance Pool and Workers' Compensation. The negative retained earnings reported under the enterprise fund type, in the Combined Statement of Revenue, Expenses and Changes in Retained Earnings/Fund Balance, is due to the recognition of \$225 million of incurred and incurred but not reported liabilities claim in the Workers' Compensation Fund.

In addition, the State operated ten internal service funds which provide goods and services to state and local governments on a cost reimbursement basis. These funds include State Self-Insurance, Compensated Absences, Wyoming Surplus Property, Employees Group Insurance and the following divisions of Administration and Information: Information Technology, Motor Vehicle, Supply Warehouse, Central Duplicating, Telecommunications and Personnel Training. During fiscal year 1996 the Supply Warehouse was eliminated and 75% of the Central Duplicating functions were privatized.

### **Fiduciary Funds**

The State reports expendable trust funds for which the principal and interest can be spent for the specific purpose of the trust. Nonexpendable trust funds are those for which the only 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, 1996, the State had a number of debt issues outstanding. These debt issues included two refunding revenue bonds which were used to defease three revenue bond issues in prior years, as well as \$27 million of revenue bonds issued for capital construction in fiscal year 1996. In addition, numerous bond issues by the University for capital construction projects are outstanding.

### **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 was credited \$99.6 million in fiscal year 1996 from these funds.

## Risk Management

The State of Wyoming maintains two self insurance plans: the State Self-Insurance program and the State Group Insurance program, which includes employee medical, life, and dental insurance. Each of these plans are reported in internal service funds. In addition, the State administers one public entity risk pool, which is the local government fund and three insurance enterprises, Subsidence, Health and Worker's Compensation, that are reported in enterprise funds as required by GASB Statement No. 10.

## CONCLUSIONS AND ACKNOWLEDGMENTS

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. As noted earlier in this report, great strides have been made in the past few years to improve our State's accounting and financial reporting: implementation of GAAP, preparation of the CAFR, independent audit of our financial statements, "Popular" reporting -- all have contributed to better financial management. My appreciation goes out to the Legislature and our Staff for making these improvements possible.

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 departments and agencies. I am especially appreciative of the staff in the State Auditor's Office, whose commitment to serve the citizens of Wyoming has again been demonstrated throughout the year. This year the staff's professionalism was recognized by two outside organizations, the GFOA and the IRS, for excellence in public service. We would like to thank the Division of Economic Analysis and the CREG Committee for information used in this letter. We also thank the Department of Commerce: Wyoming Travel Commission and Division of Tourism, for the use of their photographs and narratives which showcase some of Wyoming's magnificent historic sites.

Thank you!

Best regards,

David G. Ferrari  
State Auditor