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DECEMBER 15, 1991

**TO THE  
CITIZENS,  
GOVERNOR AND  
MEMBERS OF  
THE  
LEGISLATURE  
OF THE STATE  
OF WYOMING**

It is an honor and a pleasure to present the Annual Financial Report of the State of Wyoming for the fiscal year ended June 30, 1991. 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 financial statements have been prepared on the cash basis of accounting with certain exceptions. Certain revenue and the related assets are recognized when received rather than earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. In addition, fixed assets are recorded as expenditures when paid in all funds and are not maintained as assets in the accounting system. Thus, although this report has been prepared following the specific format as dictated by generally accepted accounting principles ("GAAP") for governments as promulgated by the Government Accounting Standards Board, the financial statements are not intended to conform with GAAP.

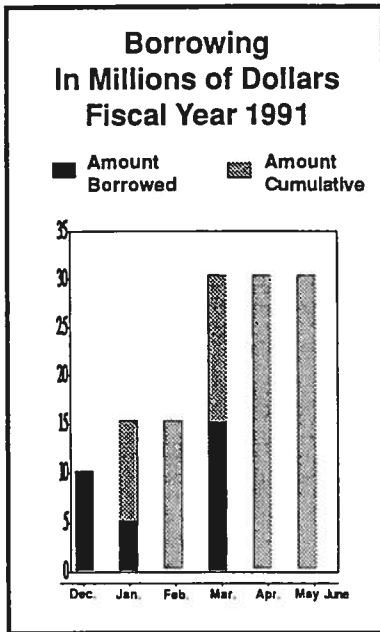
The general purpose financial statements contained in this report have not been audited. In the future, in order to comply with the generally accepted accounting and auditing standards, Wyoming's financial statements should be audited annually by an independent certified public accounting (CPA) firm. This would assure the taxpayers of Wyoming that the State's financial information is fairly presented in accordance with GAAP.

This report reflects my commitment to accountability to the taxpayers through public disclosure designed to clearly communicate the State's financial condition and motivate policymakers, the public and students of government to read and use the information contained herein.

The Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter and the State's organizational chart. 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.

For the seventh consecutive year, the State has incurred expenditures from the General Fund in excess of revenues. Fiscal Year 1991 experienced revenue of \$380.4 million, compared to expenditures of \$434.1 million, a difference of \$53.7 million. Over the seven year period expenditures have exceeded revenue by an accumulated total of \$337.3 million. Some have argued that because there are vast amounts contained in other State funds, we should not be concerned that more is being spent in the General Fund than is being taken in. However, this is a concern, because the same relationship between insufficient revenue to meet expenditures has been occurring in all

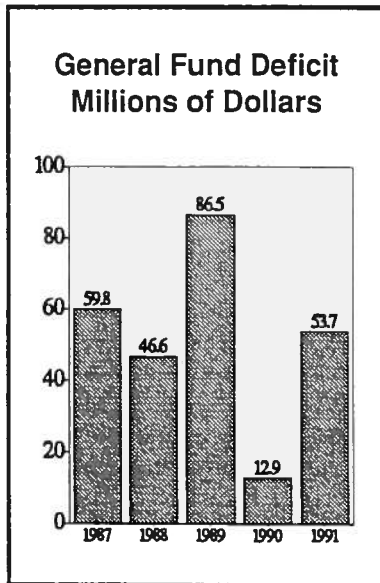




general governmental funds, as noted in the combining statements of this report.

In order to sustain day-to-day General Fund operations, the State has had to resort to short-term interfund borrowing. During the past year, to avoid overdrawing the General Fund, a total of \$30 million was borrowed from pooled fund investments in the Treasurer's Office, as authorized by Chapter 122, Section 203, 1990 S.L. This loan was paid back during June, upon receipt of the Permanent Wyoming Mineral Trust (PWMTF) interest. It is clear that the State will need to borrow from this source again in Fiscal Year 1992.

Wyoming's fiscal problems did not occur overnight. Several years of spending in excess of revenues have forced the State to adopt various General Fund revenue enhancement strategies. Redirecting pooled interest earnings from other accounts to the General Fund, diversion of severance taxes from the PWMTF to the Budget Reserve Account, and the recent release of the GNMA accounts for direct appropriation, are among the major actions to sustain spending growth. Unfortunately, some of these actions are one-time, non-recurring revenues and as these resources run out, others will need to be found if the Governor and Legislators are not able to restrain spending.



During the past four years, the State has taken significant action to streamline its government by consolidating separate agencies with like or similar missions into fewer, major departments. The objectives of this action were to eliminate duplication; enhance accountability and improve the efficiency and effectiveness of state government operations. The objectives, as defined by the Governor, were not necessarily to downsize government or to cut spending. Resources which were identified and "freed up" during the process were primarily reallocated to other areas as prioritized by the Governor and department directors, and approved by the Legislature. Much debate and discussion has occurred as to the effectiveness of these reorganization efforts. Critics have argued that little or nothing was gained as evidenced by the government's increasing palate for spending. Advocates have professed that the end result of the process has been better coordination of programs and enhanced accountability for more effective services. The debate continues. A performance audit program would greatly assist in putting this debate to rest.

Over the past year, I have indicated that one of the State's highest priorities ought to be an expansion of the performance audit program in the Legislative Service Office (LSO). Wyoming is one of only nine states without a major program evaluation or performance audit function. Without such a "check" on governmental operations, Wyoming taxpayers are being forced to simply "trust" their elected officials and Legislators to operate government in an efficient and effective manner. Without a performance audit or evaluation, our taxpayers will never know if this trust is being misplaced. As government spending continues to rise and the call for higher taxes goes out, this evaluation program needs to be put in place so that a meaningful assessment of various operations can be made. Several departments and

programs are consuming hundreds of millions of tax dollars and their effectiveness has never been measured. It is time to begin this process.

## ECONOMIC OUTLOOK

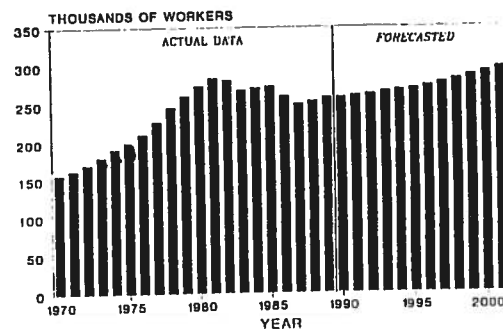
While the State's economy has shown sporadic signs of rebounding from the economic tumble which began in 1986, the ten-year forecast is not encouraging. According to the Division of Economic Analysis of the Wyoming Department of Administration and Information, total employment is expected to grow by an average of only 1.3 percent per year, from 259,090 jobs in 1990, to 296,950 jobs in 2001. Employment in the agriculture sector is forecasted to decline at an average annual rate of 0.3 percent, while employment in the services sector shows the most promise, forecasted to grow at average annual rates slightly in excess of 2 percent. Employment in the mining sector is forecasted to grow at an average annual rate of 1.9 percent, while construction employment is expected to grow at a 1.5 percent annual rate. Employment in all other sectors is forecasted to grow at rates below the statewide rate of 1.3 percent per year.

Annual wage rates across all sectors are forecasted to increase by an annual average of 4.6 percent in nominal dollars. This means, in real dollars (inflation adjusted), wage rates are forecasted to just hold their ground. Per capita personal income should grow from \$15,590 to \$25,460 by 2001. In nominal dollars, this is an average annual growth rate of 4.6 percent for per capita personal income. After adjusting for inflation, however, real per capital income remains at the same relative level.

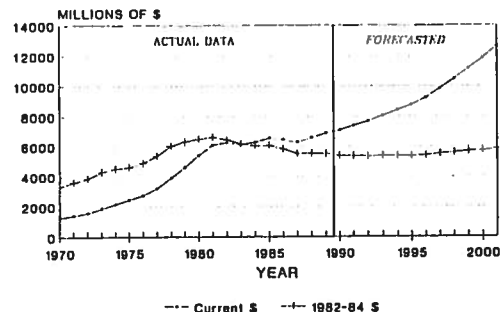
## Wyoming's Mineral Industry

Forecasts for Wyoming's mineral industry are mixed for the next ten years. Some minerals showing increases in production and prices; others showing declines. Coal mining production is forecasted to increase an average 3.5 percent per year through 2001, and the price received for Wyoming coal is also forecasted to increase, by an average of 3.7 percent per year. However, this means in real dollars, coal prices will decline 0.9 percent per year.

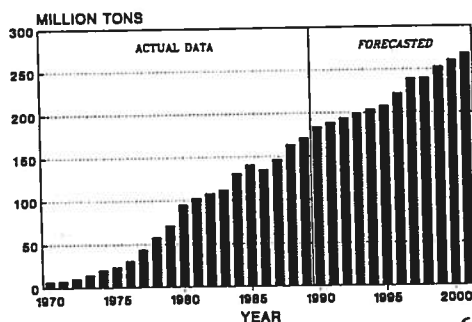
TOTAL WYOMING EMPLOYMENT  
1970-2001



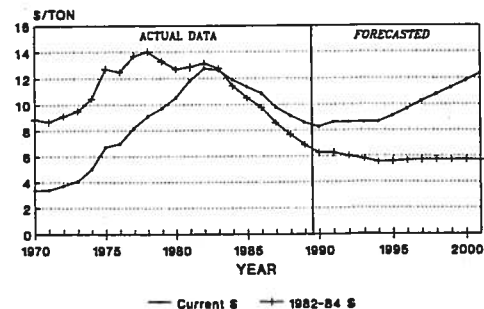
TOTAL PERSONAL INCOME BY RESIDENCE  
1970-2001



WYOMING GROSS COAL PRODUCTION  
1970-2001

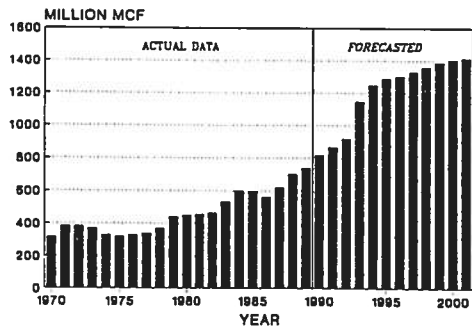


AVERAGE PRICE OF WYOMING COAL  
1970-2001

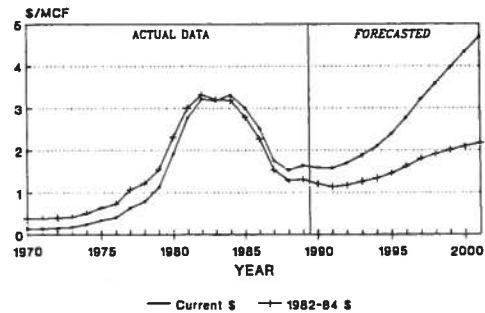


Natural gas production is forecasted to annually increase an average of 5.1 percent, while the price of natural gas is forecasted to increase an average of 10.5 percent per year. This means a 5.5 percent average price increase per year, after inflationary adjustments.

WYOMING GROSS NATURAL GAS PRODUCTION  
1970-2001

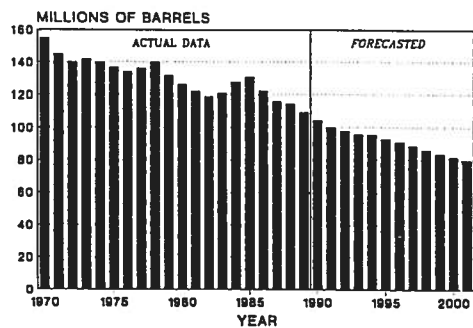


AVERAGE PRICE OF WYOMING NATURAL GAS  
1970-2001

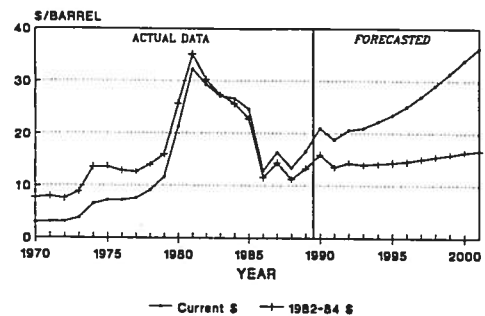


Petroleum production is forecasted to decline by an average of 2.4 percent per year, while the price of oil is forecasted to increase an average 5.1 percent per year (0.4 percent in real dollars).

WYOMING GROSS PETROLEUM PRODUCTION  
1970-2001



AVERAGE PRICE OF WYOMING PETROLEUM  
1970-2001



Soda ash production is forecasted to grow an average of 5.2 percent annually between now and 2001. At the same time, the price of soda ash is forecasted to increase an average 3.3 percent annually. This is a decrease of 1.2 percent per year in real dollars.

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Clearly, economic growth forecasted for the nineties is considerably slower than that experienced during the late seventies and the first half of the decade of the eighties. This slower economy with its accompanying no-growth in real per capita income and mixed growth for various of the state's mineral industries, has had and will continue to have a direct impact on the revenues available for both the State and our local governments. The possibility of continuing or expanding current levels of services, without major new revenue sources, is remote indeed. It is not news to anyone in Wyoming that the State and local governments are very dependent on the minerals industry for their income. With the rate of growth of this source of revenue slowing, and, as noted, in some cases declining, the State's policymakers will be faced with some very difficult decisions over the next ten years in attempting to balance necessary government spending with available resources. Long range, comprehensive taxing and spending strategies must be formulated now to guide Wyoming through these difficult times. Failure to do so will result in the continuation of stop-gap, spur-of-the-moment manipulations of revenue streams which provide only temporary solutions to serious long-term problems. This is not in the best interests of Wyoming government nor of the State's citizens.

## INTERNAL CONTROLS

On July 1, 1991, the State implemented a new accounting system. This system is comprised of American Management System's Government Financial System (GFS) software package, which was modified to provide reporting and processing specific to the State of Wyoming. The GFS product is promoted as one of the leading government software packages available in the country and it has been implemented, as of this writing, statewide in nine other states.

During design and implementation of this system, consideration was not focused on the adequacy of internal controls that exist in each of the State's operating departments. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for maintaining accountability for assets and preparing financial statements. The concept of reasonable assurance recognizes that the cost of the controls should not exceed the benefits derived from them. Some states have enacted legislation which commits the states to enhancing systems of controls in all state governmental entities, and requires managers in all branches and offices of government to maintain these controls and to regularly evaluate their adequacy and effectiveness. In order to improve accountability to our Wyoming taxpayers, I will be asking for legislation next session, the Wyoming State Governmental Accountability, Audit and Internal Control Act of 1992, to enhance this accountability in Wyoming.

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## **BUDGETARY PROCESS**

The Governor, through his Budget Division, is required by statute to submit a cash basis Biennial State Budget which includes: (a) revenues and expenditures incurred in the two previous fiscal years and estimates of revenues and expenditures for the ensuing two fiscal years; (b) the indebtedness and obligations of the state; (c) the condition of the various funds and the State Treasury as a whole; (d) a general summary of the economic and social conditions of the State; and, (e) recommendations relative to state program goals and objectives.

The Legislature enacts appropriation bills and revenue measures contained in the State Budget it has approved. The Legislature also enacts other appropriation bills and revenue measures as it deems appropriate. Once signed by the Governor, these measures become law and the revenue estimates, budgets, and appropriations are adjusted to agree with the revisions made by the Legislature. This information is then "loaded" into the accounting system. Generally, these financial plans are amended as the CREG estimates are revised (generally in October and January of each year). The State Auditor reports on a monthly basis, throughout the biennium, showing a comparison of the actual year-to-date results with the revised plans and provides an explanation of any major deviations.

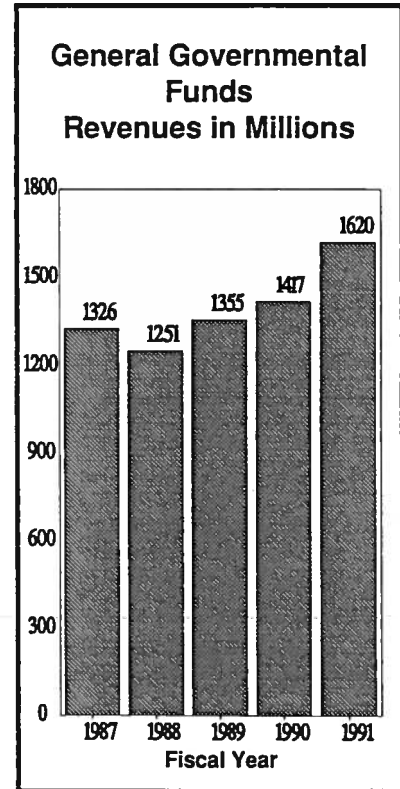
Expenditures are controlled at the major object level (e.g. personal services, supportive services, grants and aid payments, etc.) within each program of each department as established in the approved appropriation bills. Encumbrances are used to reserve a portion of the appropriation prior to the release of purchase orders and contracts to vendors. Purchase orders that would result in an over expenditure of available major object level balances are not processed until budget revisions are approved. Outstanding encumbrances are reported as reservations of fund balances at year-end. Unexpended General Fund budget balances are reverted to the General Fund at the conclusion of each biennium.

## **REPORTING ENTITY**

In order to assure comparability among governmental general purpose financial reporting, the Governmental Accounting Standards Board (GASB) prescribes various standards for state and local governments to follow in compiling their financial reports. The GASB standards indicate that the reporting entity for general purpose financial statements should consist of all functions, programs and activities that are controlled by, or are dependent on, a government unit's legislative or executive body. This report follows these standards and, thus, Wyoming's Annual Financial Report contains reporting on every component unit of government which are included in the

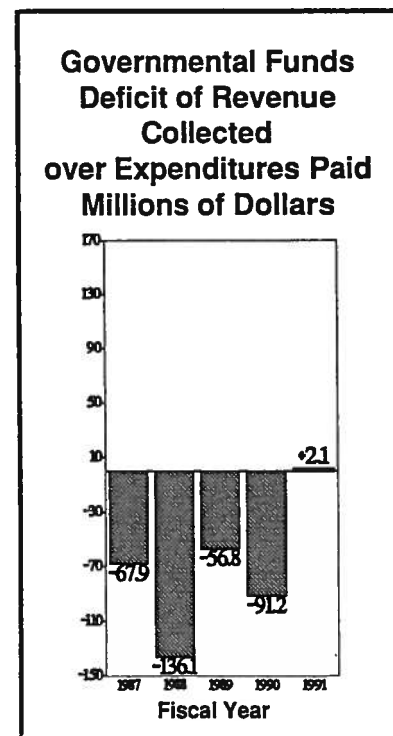
State's centralized computer-based accounting system and over which the state exercises oversight responsibility. This includes the selection of governing authority, accountability for fiscal matters, designation of management and the ability to influence operations. The various funds, account groups and entities shown in this report are described in the Notes to Financial Statements.

Wyoming law has created fourteen funds within the State Treasury. Many governmental functions, such as education; transportation, wildlife, regulation and licensing and employment, among others, are supported with revenues that flow into various of these funds. In order to more clearly distinguish between functions which are under the State's control (as noted in the above definition of the Reporting Entity), and those which are not, GAAP requires that these funds be grouped into different categories. In accordance with these GAAP standards, this report broadly includes most of the fourteen funds (excluding the Enterprise, Intra-governmental, Permanent Land, PWMTF, and a portion of the Trust and Agency Fund) into a fund type category called General Governmental Funds. The Enterprise and Intra-governmental Funds are included together and as a fund type called the Proprietary Funds, while the Permanent Land Fund, the PWMTF, and a portion of the Trust and Agency Fund (e.g. Retirement accounts) are grouped together and reported under the fund type category called Similar Trust Funds.



### GENERAL GOVERNMENTAL FUNDS (Operating Funds)

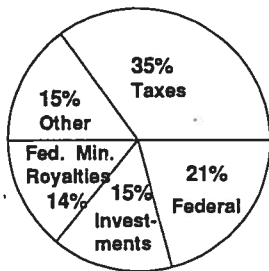
For the first time in five years, revenues to the state's General Governmental Funds exceeded expenditures, in Fiscal Year 1991, when an excess of \$2,181,857 occurred. In the previous four consecutive years, the state experienced a deficit of revenue collected over expenditures paid. This deficit was \$91.2 million in FY-1990; \$56.7 million in FY-1989; \$136.1 million in FY-1988; and, \$67.9 million in FY-1987. The combined five-year deficit of revenue collected over expenditures paid, thus, is \$349.7 million. Revenues and other financing sources of the Governmental Funds totalled \$1.6 billion, an increase of \$203.4 million (14.4%) over fiscal year 1990. The revenues from various sources, and the change from the previous year are shown in the tabulation on the following page (in millions of dollars):



REVENUES AND OTHER FINANCING SOURCES*	1991	1990	Increase (Decrease) Over 1990 Actual	
			Amount	%
<b>Taxes:</b>				
Property	\$ 79.4	\$ 75.9	\$ 3.54	.6%
Sales, Use, and Gasoline	272.4	255.6	16.8	6.6%
Severance	196.8	188.8	8.0	4.2%
Other	20.1	28.0	(7.9)	(28.2)%
Subtotal	\$ 568.7	\$ 548.3	\$ 20.4	3.7%
<b>Federal Receipts</b>	\$ 336.9	\$ 282.1	\$ 54.8	19.4%
<b>Income from Investments</b>				
PWMTF	\$ 95.2	\$ 83.5	\$ 11.7	14.0%
Pooled Interest	73.0	82.6	(9.6)	(11.6)%
Other	72.0	66.8	5.2	7.8%
Subtotal	\$ 240.2	\$ 232.9	\$ 7.3	3.1%
<b>Federal Mineral Royalties</b>	\$ 221.5	\$ 168.6	\$ 52.9	31.4%
<b>Other</b>				
Revenue from others	\$ 120.6	\$ 80.8	\$ 39.8	49.3%
Licenses, Permits & Regulatory	57.5	36.5	21.0	57.5%
Charges for Sales & Service	44.0	40.6	3.4	8.4%
Non-revenue receipts	26.3	21.8	4.5	20.6%
Fines, Forfeitures, and Penalties	4.7	5.4	(.7)	(13.0)%
Subtotal	\$ 253.1	\$ 185.1	\$ 68.0	36.7%
<b>Total Revenues and Other Financing Services</b>	<b>\$1,620.4</b>	<b>\$1,417.0</b>	<b>\$203.4</b>	<b>14.4%</b>

**Governmental Funds  
Revenues 1991**

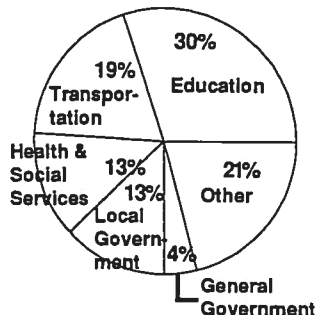
\*Includes the General Fund, Earmarked Fund, Highway Fund, Game & Fish Fund, University of Wyoming Fund, Permanent Land Income Fund, Debt Service Fund and Expendable Trust Funds contained in the Trust and Agency Fund.



Increases in revenue were highlighted by:

- Sale, Use and Gasoline Taxes were up \$16.8 million.
- Federal receipts were up \$54.8 million which was due primarily to the increased costs of social services, medicaid and highway construction which are largely funded by the Federal government.
- Federal mineral royalties were up \$52.9 million

**Governmental Funds  
Expenditures 1991**



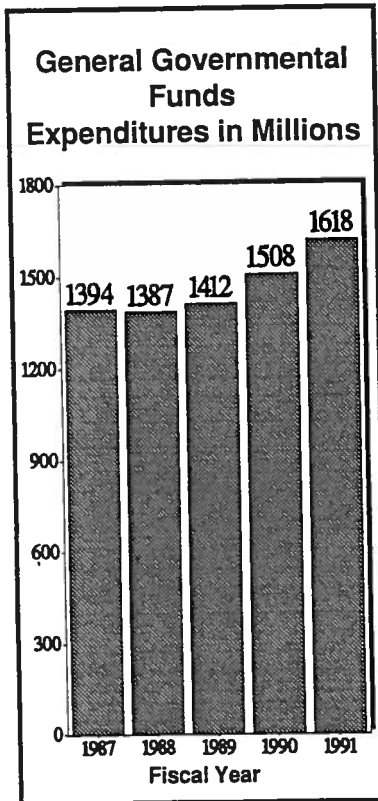
Expenditures and other financing uses totaled \$1.6 billion in Fiscal Year 1991, which is an increase of \$110 million (7.3%) over Fiscal Year 1990. Changes in expenditures and other financing uses are shown in the tabulation on the following page (in millions of dollars):



**EXPENDITURES AND  
OTHER FINANCING USES\***

	1991	1990	Increase (Decrease) Over 1990 Actual	
			Amount	%
Education	\$ 483.5	\$ 484.4	\$ (.9)	(.1)%
Transportation	299.4	251.2	48.2	19.2%
Health & Social Services	214.4	172.3	42.1	24.4%
Local Governments	206.4	182.4	24.0	13.2%
Employment	87.5	73.8	13.7	18.9%
Regulation & Licensing	73.0	72.8	.2	.2%
Natural Resources	67.8	109.7	(41.9)	(38.2)%
Institutions	65.8	59.6	6.2	10.4%
General Government	58.5	55.3	3.2	5.8%
Justice	23.9	23.1	.8	3.5%
All Others	25.4	12.3	13.1	106.5%
Judiciary	9.2	8.9	.3	3.4%
Legislative	3.4	2.4	1.0	41.7%
<b>Total Expenditures and Other Financing Uses</b>	<b><u>\$1,618.2</u></b>	<b><u>\$1,508.2</u></b>	<b><u>\$ 110.0</u></b>	<b><u>7.3%</u></b>

\*Includes the General Fund, Earmarked Fund, Highway Fund, Game & Fish Fund, University of Wyoming Fund, Permanent Land Income Fund, Debt Service Fund and Expendable Trust Funds contained in the Trust and Agency Fund.



Increases in expenditures were highlighted by:

- Transportation expenditures increased by \$48.2 million largely due to the Transportation Department's change in strategy to accelerate its highway construction program.
- Health and Social Services' expenditures increased by \$42.1 million largely due to increases in Medicaid and increases in AFDC roles.
- Expenditures for local governments increased by \$24 million due primarily to greater collections of sales and use taxes (local option) and federal mineral royalties.

**FIDUCIARY FUND TYPE**

The Fiduciary Fund Type includes nonexpendable Trust and Agency funds including all the State's pension funds. Trust and Agency Funds are used to account for assets held by the State in a Trustee capacity or as an agent for individuals, private organizations and other governments. As of June 30, 1991, the Nonexpendable Trust Funds reported a year-end fund balance of \$1,932,139,727, which compares to \$1,828,599,057 at year-end one year earlier. This represents an increase in fund balance of \$103,540,670, or 5.7 percent.

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Pension Funds in the State Treasury grew by \$124,005,405 (8.4%) during fiscal year 1991, ending the year with a fund balance of \$1,592,898,413, compared to a fund balance of \$1,468,893,008 at year-end on June 30, 1990.

The combined total fund balance for nonexpendable trust funds and agency funds was \$3,525,038,140, or 81.2 percent of the total \$4,341,192,345 in the State Treasury at year-end. For further information on the State's nonexpendable Trust Funds, please see Note 1 of the Notes to Financial Statements. Note 4 provides additional information on the state's pension funds.

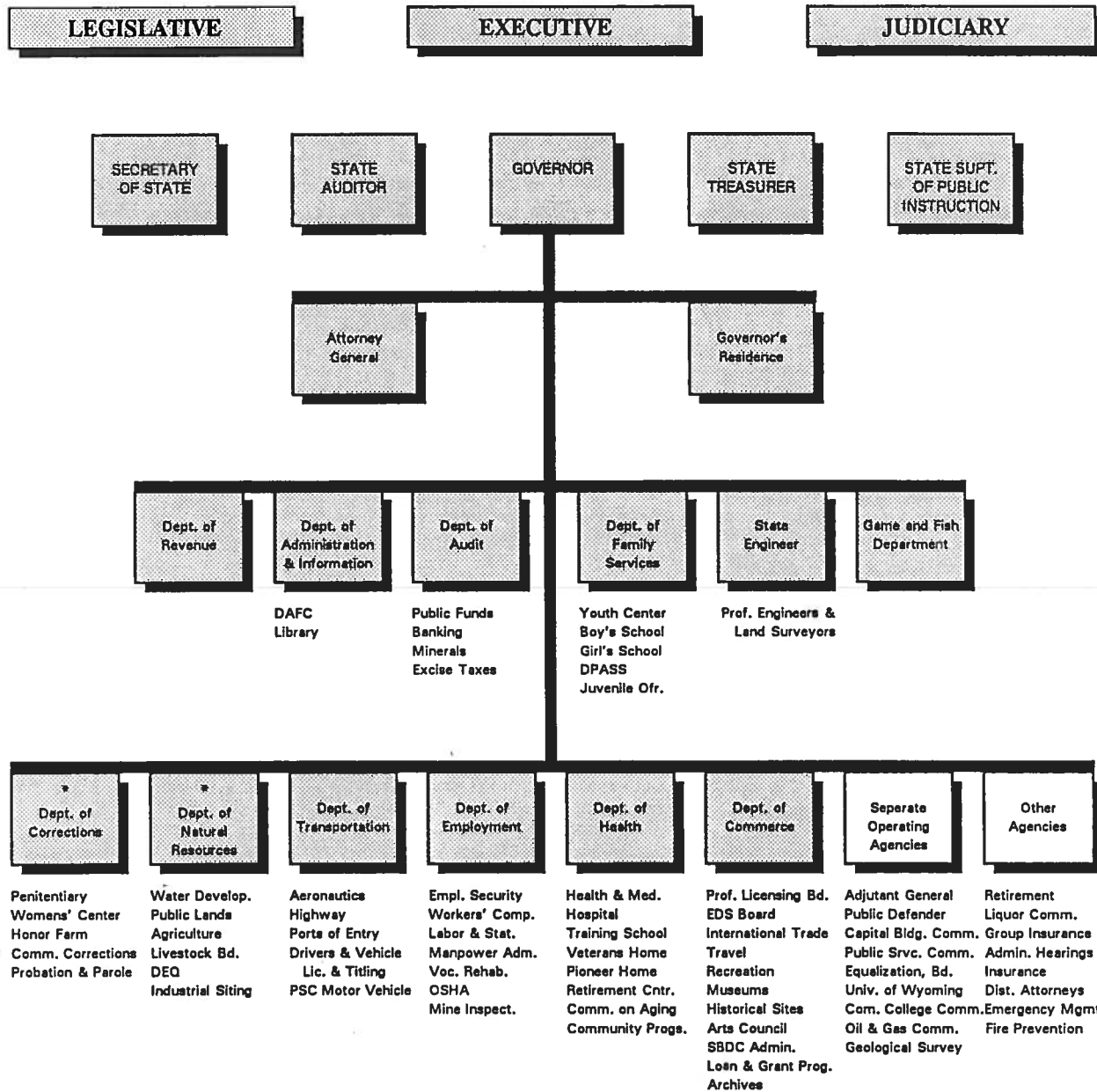
### ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the cooperation of all state agencies and other organizational units which provided necessary financial information. I am also especially appreciative of the technical and management personnel within the State Auditor's Office for their professionalism and dedication. This report reflects my commitment and that of the staff to provide comprehensive disclosure and progressive leadership in financial reporting.



Dave Ferrari  
State Auditor

**CITIZENS OF WYOMING**



\* Legislation passed in 1991 Legislative Session to be implemented not later than July 1, 1992, contingent on Legislative approval of departmental reorganization plan.