

DAVID G. FERRARI, State Auditor

DECEMBER 15, 1993

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, 1993. 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 other than the operating statements and the cash flow statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying operating statements and cash flow statements include cash basis data at the beginning of the fiscal year and GAAP basis data at the end of the fiscal year which resulted in the revenues and expenditures/expenses being overstated by the amount of beginning of the year GAAP revenue and expenditure/expense accrual which were accounted for on a cash basis. The financial statements for the University of Wyoming have been prepared in conformance with the American Institute of Certified Public Accounts' "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, and the University of Wyoming has 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 accounting (CPA) firm, in order to comply with generally accepted accounting 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

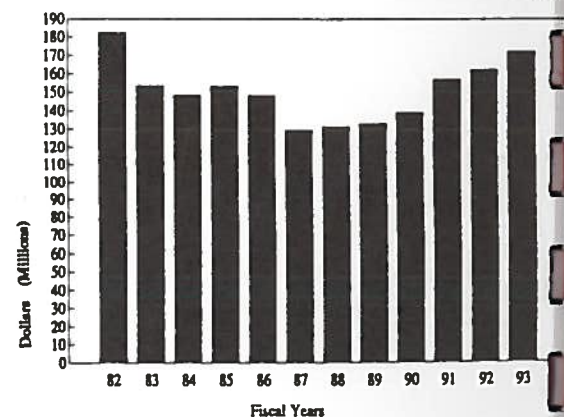
Wyoming's economy continues to show signs of stability, in light of a slightly increasing population between 1992 and 1993, which increased from a projected 465,000 to 470,000. The civilian labor force declined slightly from 242,269 in September 1992 to 240,048, in September, 1993, as did the employed labor force (from 230,652 to 229,807). However, unemployment in September, 1993 was down by 11.5 percent, compared to a year earlier and the unemployment rate dropped from 4.8 percent in September, 1992 to 4.3 percent in September, 1993.

Total personal income was up 4.1% in the first quarter of 1993 compared to a year earlier and total bank deposits in the third quarter of 1993 were up 4.8% over the same period one year earlier. New domestic profit corporations registered with the Secretary of State were up in September, 1993 by 14.7%, compared to September, 1992.

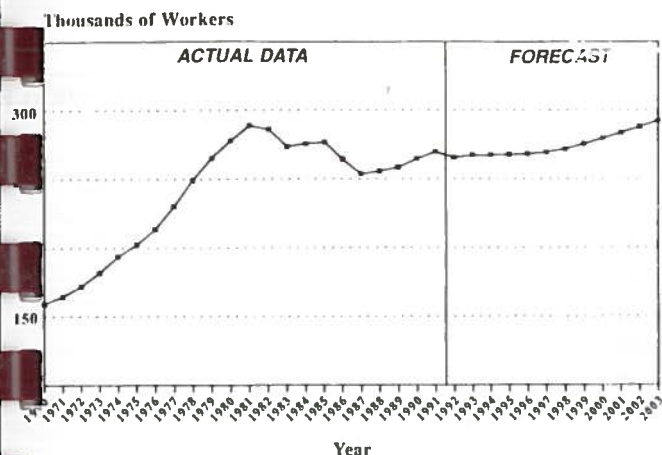
Consumer confidence remained strong in Wyoming throughout most of Fiscal Year 1993, as evidenced by the fact that sales tax collections for the year exceeded the previous level by a margin of 6.6 percent. Annual sales tax collections in 18 of the State's 23 counties increased over the previous year. Fiscal year 1993 marked the sixth consecutive year in which the State's 3% 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. Although efforts have been focused, over the past several years, on diversifying our economy, the forecasts reflect limited success as a result of these efforts.

STATE 3% SALES TAX COLLECTIONS



TOTAL WYOMING EMPLOYMENT 1970 - 2003



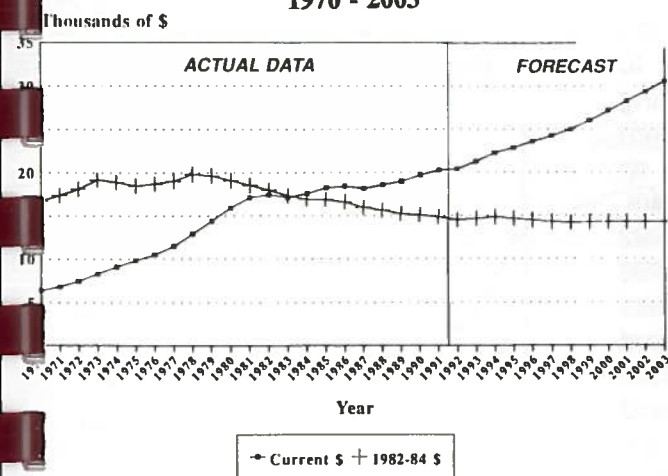
Employment

Total employment is forecasted to grow from the 1991 level of 269,990 to 292,590 by the year 2003. This represents an average annual rate of 7/10ths of one percent, or an increase of only 22,600 jobs over the twelve-year period. This is roughly the same number of workers in Wyoming that were employed in 1981, some twenty-two years earlier.

Several sectors of the Wyoming economy are forecasted to lose jobs over the next twelve years. Agriculture, which is forecasted to lose 1,600 jobs over the next twelve years is the biggest loser, followed by Mining (240 jobs), Construction (170 jobs), and Transportation, Communication and Public Utilities (TCPU - 60 jobs). All other sectors of the economy should show job gains. The largest growth is expected in the Services Sector, with 16,850 new jobs, a growth rate average of 2.1 percent annually.

The Government Sector shows the second largest gain in the number of jobs, forecasted to increase by 3,770 workers, while 3,130 new jobs are forecasted in the Retail Trade Sector. By the year 2003, there will be over 50,000 workers in state and local government, 17.1 percent of all jobs in Wyoming.

AVERAGE ANNUAL EARNINGS - ALL SECTORS 1970 - 2003



Wage Rates/Total Personal Income by Residence

Just as disappointment abounds over the future employment picture, the forecasted **wage rates** and **total personal income by residence** are also discouraging. Annual wage rates for all sectors are expected to increase throughout the forecast period, averaging 3.5 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 0.3 percent. Wage rate growth is expected to exceed the all sector average in the wholesale trade, mining, services, manufacturing, construction, and FIRE (Finance, Insurance & Real Estate) sectors. Other sectors which are expected to realize growth in annual wage rates throughout the forecast period are government, retail trade, and TCPU. Annual wage rates in the agriculture sector are forecasted to decrease at an average annual rate of 5.8 percent over the period.

Total personal income by residence, in current dollars, is expected to grow at the average annual rate of 3.8 percent, increasing from the 1992 level of \$7.6 billion to \$12.1 billion by 2003. Per capita personal income, in current dollars, is forecast to increase at an average rate of 3.2 percent annually, growing from \$16,330 in 1992 to \$24,600 in 2003. After adjusting for average annual inflation of 3.8 percent, real per capita personal income is forecast to decline at an average annual rate of 0.6 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, as does the potential higher outlays for welfare, unemployment and other income illegible benefit programs, in view of dismal employment, earnings and income forecasts.

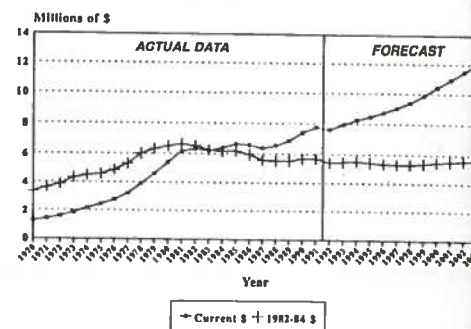
WYOMING'S MINERALS

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 the last two years, forecasts for mineral production and the resultant revenue are mixed.

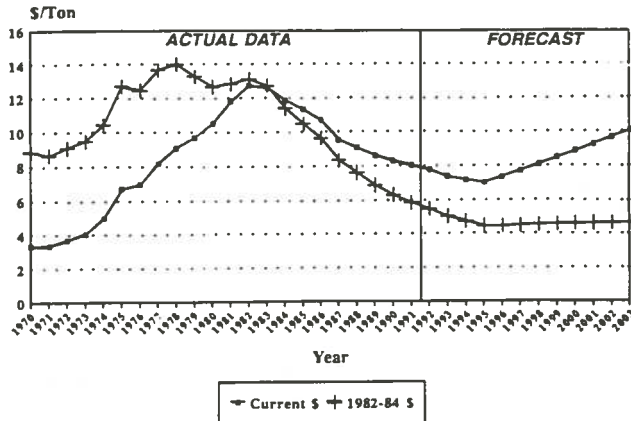
Coal

Coal production is expected to increase by an average of 3.8 percent per year throughout the forecast period. Gross production will increase from 191 million tons in 1992 to 301 million tons in 2003. The price received for Wyoming coal is expected to decrease through 1995, and turn upward for the remainder of the forecast period, at an average annual rate of 4.6 percent. In constant dollars, coal prices will decline 5.1 percent per year from 1992 through 1995, and increase 0.6 percent annually from 1996 through 2003. Gross value of coal production will increase from \$1.5 billion in 1992 to \$3.0 billion in 2003. In constant dollars, the gross value of coal is expected to decline from 1992 to 1995 at an average annual rate of 5.2 percent and subsequently increase at an average annual rate of 5.6 percent from 1996 through 2003.

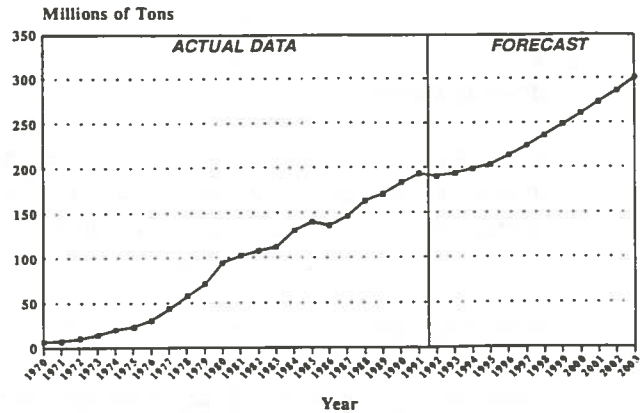
TOTAL PERSONAL INCOME BY RESIDENCE
1970 - 2003



AVERAGE PRICE OF WYOMING COAL
1970 - 2003



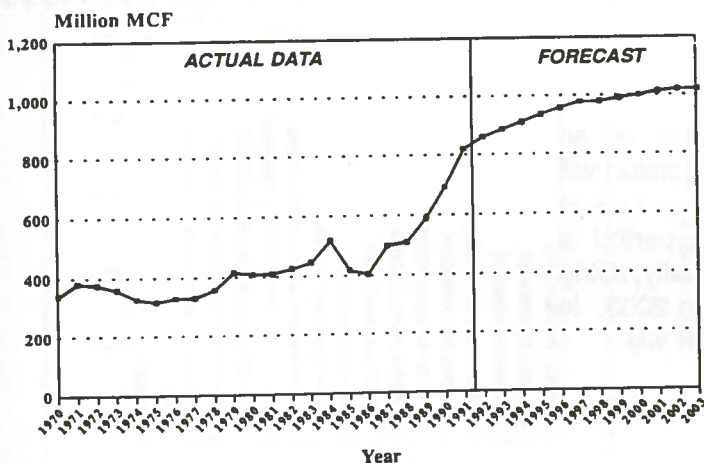
WYOMING GROSS COAL PRODUCTION
1970 - 2003



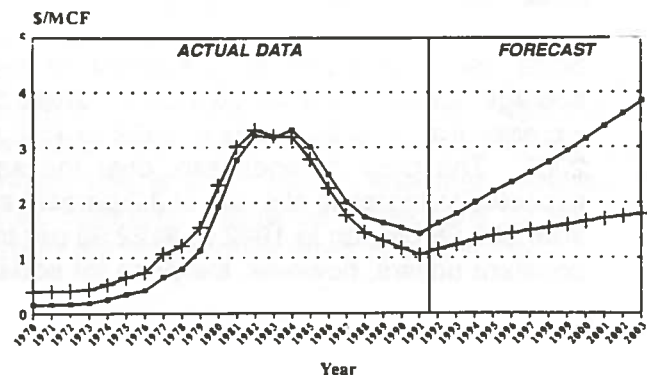
Natural Gas

Natural gas certainly continues to be one of the bright spots in EA's forecasts where production is forecasted to increase from 859 million mcf in 1992 to 1,108 million mcf in 2003. This expected increase assumes the eventual expansion of the Kern River Pipeline and higher prices received in response to increased demand. The average annual rate of increase from 1992 through 2003 is 1.8 percent. While gas production is expected to increase at an average rate of 3 percent annually from 1992 to 1997, the rate of growth is forecasted to slow significantly from 1998 through 2003. The price for natural gas is expected to increase at an average annual rate of 8.5 percent (4.6 percent in constant dollars), climbing from \$1.63 per mcf in 1992 to \$3.84 per mcf in 2003. The gross value of production is forecasted to increase by an average of 10.6 percent per year (6.5 percent in constant dollars), from \$1.4 billion in 1992 to \$3.9 billion in 2003.

WYOMING GROSS NATURAL GAS PRODUCTION
1970 - 2003



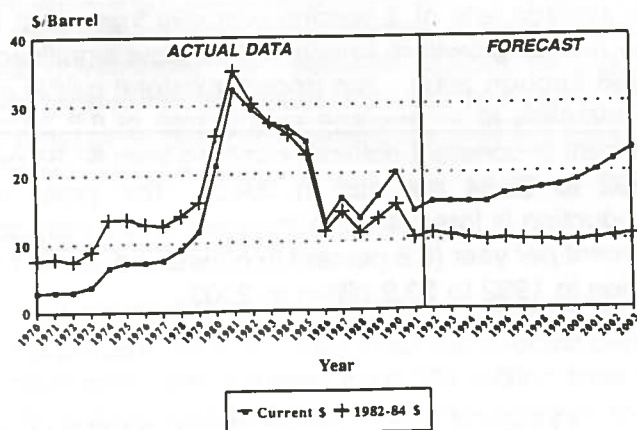
AVERAGE PRICE OF WYOMING NATURAL GAS
1970 - 2003



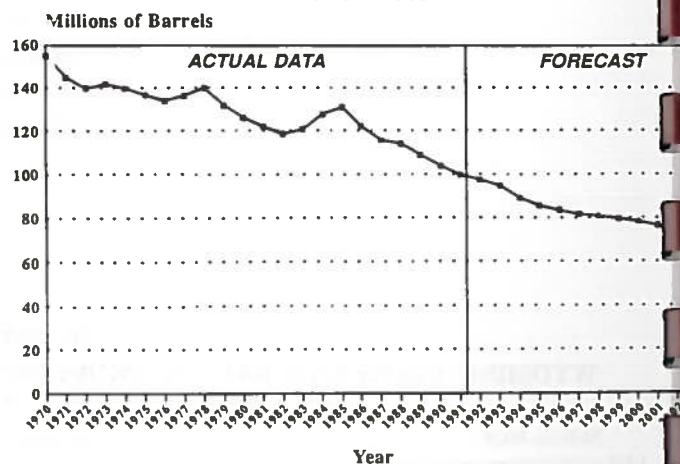
Petroleum

Petroleum production is forecasted to decline from 97.6 million barrels to 74.2 million between 1992 and 2003. This represents an average annual decline of 2.4 percent. The price of oil is expected to remain flat, at \$15.75 per barrel, from 1992 through 1995, increasing thereafter at an average rate of 5.1 percent. Oil prices are expected to attain a level of \$23.40 per barrel in 2003. Gross value of production is expected to decline at an average annual rate of 1.4 percent from 1992 through 1995, falling from \$1.53 billion to \$1.35 billion during this period. However, from 1996 through 2003, gross value of production is expected to improve, growing at an average annual rate of 3.2 percent and totalling \$1.74 billion in 2003. In constant dollars, gross value of production is forecasted to decline at an average annual rate of 2.1 percent through the forecast period.

**AVERAGE PRICE OF WYOMING PETROLEUM
1970 - 2003**



**WYOMING GROSS PETROLEUM PRODUCTION
1970 - 2003**

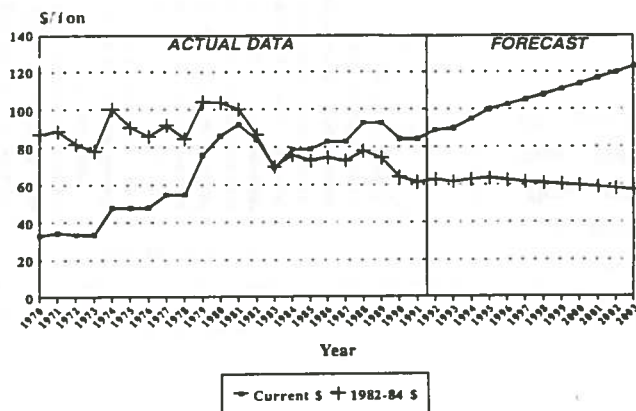


Soda Ash

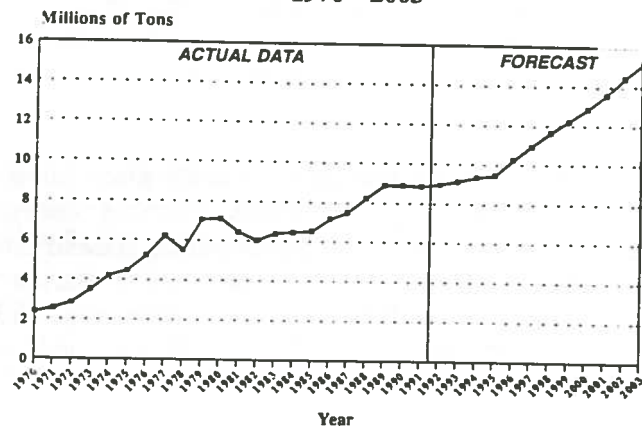
Soda ash production is forecasted to increase at an average rate of 4.6 percent annually. Gross production will increase from 9 million tons in 1992 to 15.2 million tons in 2003. The price of soda ash, over the same period is expected to increase at a rate of 3.2 percent annually, rising from \$88.88 per ton in 1992 to \$122.93 per ton in 2003. In constant dollars, however, the price for soda ash will

decline at an annual rate of 0.6 percent. The value of gross production is forecasted to increase from \$797 million in 1992 to \$1.9 billion in 2003. This represents an average annual increase of 8 percent (4 percent in constant dollars) for the forecasted period.

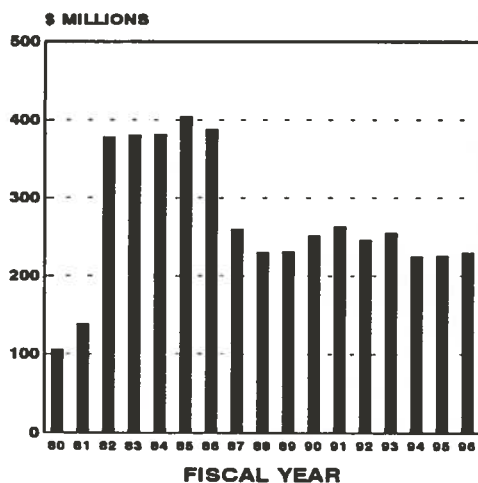
**AVERAGE PRICE OF WYOMING SODA ASH
1970 - 2003**



**WYOMING GROSS SODA ASH PRODUCTION
1970 - 2003**



**MINERAL SEVERANCE TAXES
FY 1980 - FY 1996**



Revenue Projections

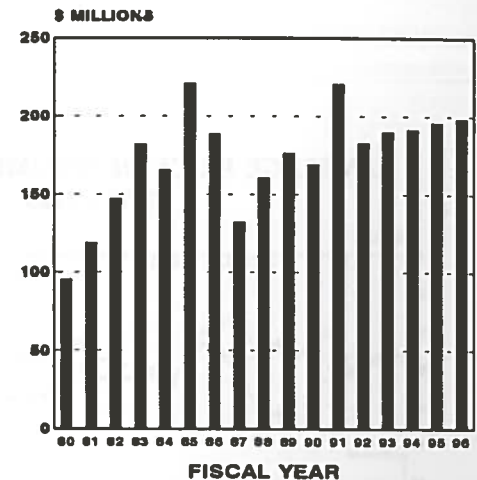
Although there are some isolated encouraging signs in the years ahead for the production and sale of Wyoming's mineral resources, the overall forecast continues to spell difficult times for state government's revenue picture. **Mineral severance** tax collections in FY '94, '95 and '96 will be lower than at any level since 1981. The total expected for the 1995-96 Biennium of \$454.4 million is \$23.4 million less than will be received in the 1993-94 Biennium, and is \$53.8 million less than received in the 1991-92 Biennium. Revenue projections for the 1997-98 Biennium are only slightly more encouraging.

Revenue projections for **Federal Mineral Royalties** are also quite dismal. The 1993-94 Biennium total of \$380.8 million, compares to \$402.8 in the 1991-92 Biennium. The 1995-96 Biennium projections improve slightly to \$394 million which is still lower than 1991-92 levels.

I would again emphasize that economic growth forecasted for the next twelve years is considerably slower than that experienced in the eighties. There is absolutely no way for the State to continue its existing level of government services, without major changes in the way it does business.

We cannot continue to operate state government without strategic long-term plans; without defined goals and objectives; without performance measurement reporting; and, without program and performance auditing and evaluations. This lack of attention to sound management planning and control techniques can only result in chaotic taxing and spending policies.

FEDERAL MINERAL ROYALTIES
FY 1980 - FY 1996



MAJOR INITIATIVES

In light of Wyoming's sluggish economy and 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. In converting the State's current modified cash basis accounting to the modified accrual basis, the accounting and financial reporting activity will be improved so that, for the first time in history, Wyoming citizens will be provided an accurate picture of the State's financial position. Additionally, in the process, substantial financial resources will be "freed up" for Legislative disposition.

The October, 1993 estimates prepared by the Consensus Revenue Estimating Group (CREG) indicate that roughly \$187 million will be generated through this one-time

accounting change. After provisions were made for accrued liabilities and other related expenses of compliance with generally accepted accounting principles, the State will enjoy a one-time increase in resources available of \$57.6 million.

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 last session which outlines 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 also required to prioritize each program, and to provide information for the evaluation of a number of important criteria.

Comprehensive Review of State Government

Chapter 221, Original Senate File No. 163, was also passed last Session. This legislation required the comprehensive review of State government programs, to be undertaken by task forces consisting of legislators, private citizens, and executive branch representatives. Programs reviewed during the first year included: Medicaid, Public Health and Preventive Medicine, State Health Institutions, Department of Transportation, K-12 education, State revenue diversions to local governments, public employee compensation, and public benefit programs, i.e. Public Assistance, AFDC, etc.

A total of seven task forces were established during the past year and each focused its review consistent with several general goals and objectives:

- 1) establish program priorities;
- 2) reduce unnecessary costs and expenditures;
- 3) avoid duplication in programs and operations;

- 4) remove unnecessary requirements which are barriers to program success;
- 5) improve efficiency;
- 6) consider alternative delivery systems for services and programs; and,
- 7) project future costs of programs.

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 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. Unencumbered appropriations lapse at the end of each biennium except for capital projects funds which are budgeted on a project length basis. Encumbrances are reported as a reservation of fund balance and carry forward for use in future years.

REPORTING ENTITY

The State has chosen early implementation of 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 as defined in GASB Statement No. 14.

GENERAL FUND

Total general fund revenues and other financing sources and expenditures and other financing uses are compared to prior years in a bar graph format which includes federal funds.

No comparisons are made this year 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 accruals of \$63 million and expenditure accruals of \$28 million. In addition, a significant decrease of expenditures and operating transfer-in was made to reflect expenditures in the appropriate funds as required by GAAP. The following tables and pie charts present general fund revenues by source and expenditures by function.

General Fund Revenue and Other Financing Sources

Taxes

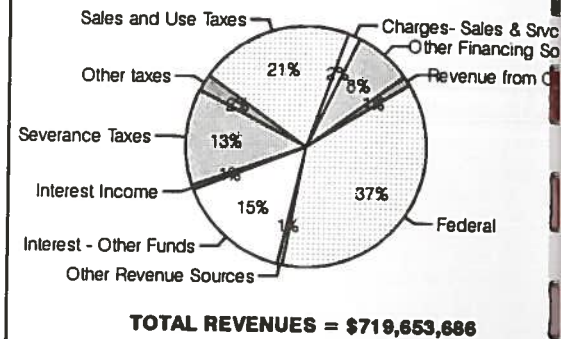
Sales and Use	\$ 148,437,210
Mineral Severance	93,383,680
Other Taxes	16,761,001
Licenses and Permits	1,207,468
Fines & Forfeitures	3,344,141
Use of Property	878,538
Interest Income	4,432,341
Interest from Other Funds	110,302,418
Charges for Sales & Services	11,519,599
Revenue from Others	9,441,239
Federal	<u>263,938,629</u>
Total Revenues	\$ 663,646,264

Other Financing Sources

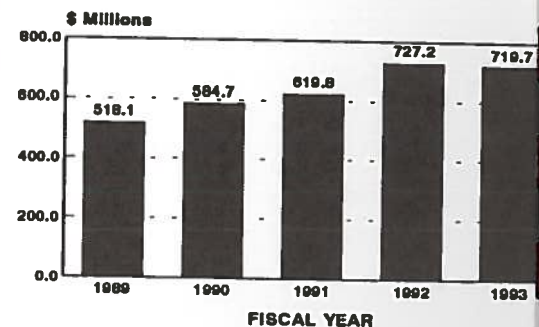
Operating Transfers-in	55,920,606
Other	<u>86,816</u>
Total Other Financing Sources	\$ 56,007,422

Total Revenue and Other Financing Sources \$ 719,653,686

**GENERAL FUND REVENUES
AND OTHER FINANCING SOURCES
FY 1993**

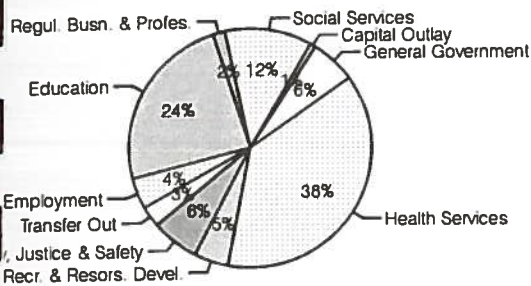


**GENERAL FUND REVENUES
AND OTHER FINANCING SOURCES
FY 1989 - FY 1993**



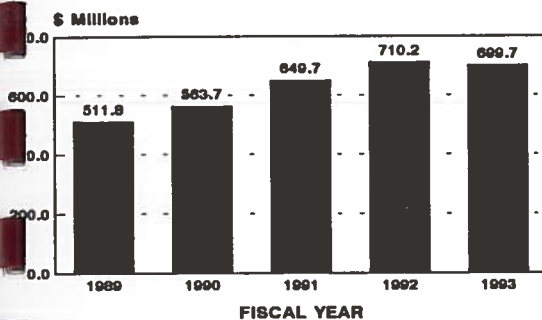
In a significant departure from prior year's terminology, "interest from other funds" is reported separately from interest earned on just general fund cash and investment. A breakdown of the sources of this interest revenue is provided in the financial section following the schedule of revenues, expenditures, and changes in fund balance (budget and actual) for the general fund. Other revenue presented under the other financing source heading represents capital leases entered into by agencies which are funded out of the general fund.

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES FY 1993



TOTAL EXPENDITURES = \$699,729,444

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES FY 1989 - FY 1993



General Fund Expenditures and Other Financing Uses

General Government	\$ 42,154,998
Regulation of Business	11,690,454
Education	168,808,471
Health Services	265,331,063
Law, Justice and Safety	44,882,482
Employment	28,939,780
Recreation and Resource Development	31,893,817
Social Services	80,997,901
Capital Outlay	5,474,990
Total Expenditures	\$ 680,173,956

Other Financing Uses

Transfers-out	19,555,488
Total Other Financing Uses	\$ 19,555,488

Total Expenditures and Other Financing Uses \$ 699,729,444

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, Museum Store, Wyoming Health Insurance Pool and Workers' Compensation. The negative retained earnings of \$227 million reported in the enterprise fund type is primarily due to the recognition 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 report a total of \$33 million of retained earnings and a cash and pooled investment balance of \$38 million.

FIDUCIARY FUNDS

The State reports 25 expendable trust funds for which the principal and interest can be spent for the specific purpose of the trust. Five non-expendable trust funds with \$2 billion in assets are presented for which the interest on the principal is expendable. The State reports five pension trust funds with a total pension benefit obligation of \$1.9 billion and net assets available for benefits of \$2.1 billion. Agency fund operations report assets held in a fiduciary capacity for others.

DEBT ADMINISTRATION

At June 30, 1993 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. The result of these refundings was to reduce the State's total debt service payments over the next 30 years by \$5 million. An economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of \$822,686 was also obtained through the issuance of the refunding bonds.

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 \$110 million in Fiscal Year 1993 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 that is 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 a clear, accurate picture of the financial condition of their government. I am hopeful the policymakers of this great State will use the information contained herein as they wrestle with the

difficult issues of providing services to our people within available resources. 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 been demonstrated throughout the year. The end result is obvious.

Thank you!

Best regards,



David G. Ferrari
State Auditor

DGF:jlm

CITIZENS OF WYOMING

