

STATE OF WYOMING

**MANAGEMENT'S
DISCUSSION
AND ANALYSIS**

**For Fiscal Year Ended
June 30, 2009**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The State Auditor's Office offers readers of the State of Wyoming's financial statements this narrative overview and analysis of the financial activities of the State of Wyoming for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iii of this report.

Financial Highlights

Government-Wide:

- The assets of the State of Wyoming exceeded its liabilities as of June 30, 2009 by \$10.6 billion (reported as net assets). This is a decline of \$610 million from June 30, 2008. In addition beginning net assets were restated by amount of \$99.1 million, which was a reduction. Of this amount, \$3.2 billion is unrestricted net assets that may be used to meet the government's ongoing obligations. Component units reported net assets of \$6.7 billion.

Fund Level:

- As of June 30, 2009, the State of Wyoming's governmental funds reported combined ending fund balances of \$9.8 billion, a decrease of \$560 million.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$(195.0 million).
- The enterprise funds reported net assets at year-end of \$305.0 million a decline of \$160.0 million from June 30, 2008. In addition beginning net assets were restated by an increase of \$2.6 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Wyoming's basic financial statements. Financial reporting is intended to provide external parties that read financial statements with information that will help them to make decisions or draw conclusions about an entity. These parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the State's annual report consists of three major sections in accordance with required reporting standards: Managements Discussion and Analysis (MD&A), the basic financial statements, and required supplemental information. The State of Wyoming's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the State of Wyoming's finances, in a manner similar to a private-sector business. The State's government-wide financial statements include the *statement of net assets* and *statement of activities*. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting.

- The purpose of the *statement of net assets* is to report all of the assets held and liabilities owed by the State. The State reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the State's total assets and total liabilities is titled *net assets* and this difference is similar to the owner's equity presented by a private-sector business.

The government-wide statement of net assets can be found on page 19 of this report.

- The purpose of the *statement of activities* is to present all the revenues and expenses of the State of Wyoming. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a private-sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the State. Revenues are recorded when earned regardless of when the cash will be received and expenses are recorded even though they may not have been paid during the current period (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide statement of activities can be found on pages 20-21 of this report.

Both statements report three activities:

- *Governmental Activities* – Most of the State’s basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. Workers’ compensation and the State’s unemployment compensation services are examples of business-type activities.
- *Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 3 authorities, 1 university, and 2 state agencies that are reported as discretely presented component units of the State. The State blends 1 component unit into the internal service funds.

Fund financial statements. The major fund financial statements begin on page 22 and provide more detailed information about the State’s most significant funds – not the State of Wyoming as a whole. Funds are accounting devices that the State uses to keep track of specific sources of funding and spending. Except for the general fund, a specific fund is established to satisfy legal requirements established by external parties or governmental statutes or regulations. The State of Wyoming establishes other funds to control and manage money for particular purposes or to show that it is properly using certain resources. All of the funds of the State of Wyoming can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** Most of the State’s basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances. The statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. All of the State’s programs are included in the governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out in a short period of time. For example, amounts reported on the balance sheet include items such as cash and receivables collectable within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid in a short period after the end of the fiscal year. The difference between a fund’s total assets and liabilities is labeled as the fund balance. The unreserved-undesignated portion of fund balance generally indicates the amount that can be used to finance next year’s activities.

The operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid in cash, respectively, during the current period or very shortly after the end of the year. Consequently, the governmental funds statements provide a short-term view that helps determine if there are more or fewer financial resources to finance the State’s programs. Because this information does not encompass the long-term focus of the government-wide statements, we provide an analysis reconciling the total fund balances to the amount of net assets reported in the statement of net assets.

Also, there is an analysis following the statement of revenues, expenditures, and changes in fund balances that reconciles the change in net assets of the governmental activities presented in the government-wide statement of activities to the change in fund balance presented in the statement of revenue expenditures and changes in fund balance. These two reconciliation schedules (pages 23 and 25) provide an analysis of transitioning from modified accrual accounting (Fund Basis) to full accrual accounting (Government-wide Basis). The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.

- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, bonds payable, and others only appear as liabilities in the government-wide statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- **Proprietary funds.** When the State charges customers for the services it provides, whether to outside customers or to other state agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting: the same method used by private sector businesses. Enterprises funds report activities that provide supplies and services to the general public. An example is the State Workers' Compensation. Internal service funds report activities that provide supplies and services for the State's other programs and activities-such as the State's Information Technology Division. Internal service funds are reported as governmental activities on the government-wide statements since their primary purpose is to support those activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are broken out between major and non-major. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

- **Fiduciary funds.** The State acts as a trustee or fiduciary for its employee pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These statements include pension, investment trust, private purpose, and agency funds, which use accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32-96 of this report.

Required Supplementary Information is presented that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparisons schedules primarily prepared on a biennial basis. Also included is a discussion of the Wyoming Department of Transportation (DOT) and how they account for infrastructure assets using the modified approach.

Required supplementary information can be found on pages 97-105 of this report.

Other Supplementary Information includes combining statements referred to earlier in connection with non-major governmental, enterprise, internal service and fiduciary funds that are presented immediately following the required supplementary information.

Other supplementary information can be found on pages 107-175 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a State's financial position. In the case of the primary government (State of Wyoming), assets exceeded liabilities by \$10.6 billion at the close of fiscal year 2009. This was a decrease of \$609.9 million. This decrease in net assets was due to declining commodity prices for oil, coal and natural gas and their resultant revenues as well as the loss of 9,000 jobs which significantly reduced sales and use tax collections. For fiscal year 2009 commodity prices continued a decline from the recent record highs relative to historical standards. As an example, the price for oil which had hit an all time high of \$147 per barrel on the NYMEX spot index during calendar year 2008 had fallen to a spot price of \$37 per barrel in December 2008 and as of this writing is around \$79 per barrel a 46 per cent drop in price. These declines are reflected in the State's mineral severance tax and federal mineral royalties, major revenue sources for the State as well as in the Governor's budget reduction plan of \$205 million for fiscal year 2010.

The following condensed financial information was derived from the government-wide Statement of Net Assets:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Current and other non-current assets	\$ 15,263,823,788	\$ 13,139,944,114	\$ 2,024,546,873	\$ 1,719,021,654	\$ 17,288,370,661	\$ 14,858,965,768
Capital assets, net of accumulated depreciation	514,786,521	628,857,809	2,893,256	2,221,153	517,679,777	631,078,962
Total assets	15,778,610,309	13,768,801,923	2,027,440,129	1,721,242,807	17,806,050,438	15,490,044,730
Current liabilities	4,839,086,685	3,272,625,885	768,794,114	470,715,533	5,607,880,799	3,743,341,418
Long-term liabilities	89,522,108	197,863,828	796,356,041	945,565,629	885,878,149	1,143,429,457
Total liabilities	4,928,608,793	3,470,489,713	1,565,150,155	1,416,281,162	6,493,758,948	4,886,770,875
Net assets:						
Invested in capital assets, net of related debt	469,809,103	585,598,012	2,730,936	2,221,153	472,540,039	587,819,165
Restricted	6,582,594,145	6,484,777,308	438,386,465	282,102,299	7,020,980,610	6,766,879,607
Unrestricted (deficit)	3,797,598,268	3,227,936,890	21,172,573	20,638,193	3,818,770,841	3,248,575,083
Total net assets	\$ 10,850,001,516	\$ 10,298,312,210	\$ 462,289,974	\$ 304,961,645	\$ 11,312,291,490	\$ 10,603,273,855

The investments in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, is \$588 million. The State of Wyoming uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the State of Wyoming's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State of Wyoming's net assets, \$6.8 billion, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets is \$3.2 billion.

The majority of the current and other non-current assets of \$14.9 billion, consists of various cash and pooled investments of \$12.5 billion, and accounts receivable, due from other governments and loan receivables (including interest receivable) of \$2.1 billion. The remaining amount is comprised of other assets such as inventory and prepaid expenses.

The current liabilities of \$3.7 billion are comprised of various items: \$1.5 billion is related to liabilities under security lending; \$229.7 million is related to claims and benefits payable; \$1.5 billion is related to various accounts payable. The amount of unavailable revenue totaling \$350 million is attributable to property taxes and long term loans reserved. The remaining amount of \$1.6 billion is made up of compensated absences, current portion of bonds payable, and various other liabilities.

The majority of the long-term liabilities of \$1.1 billion is comprised of claims and benefits payable of \$1.07 billion, compensated absences of \$14.8 million and bonds payable of \$38.6 million. The State's estimated GASB 45 OPEB liability is \$18.3 million. The \$1.06 billion of claims and benefits payable include a prior period adjustment related to benefits payable of \$110 million. This liability is related to the State's Leaky Above ground/Below Ground Storage

Tanks and the application of GASB Statement 49—Accounting and Financial Reporting for Pollution Remediation Obligations. The remaining amount of long-term liabilities is made up of various other liabilities.

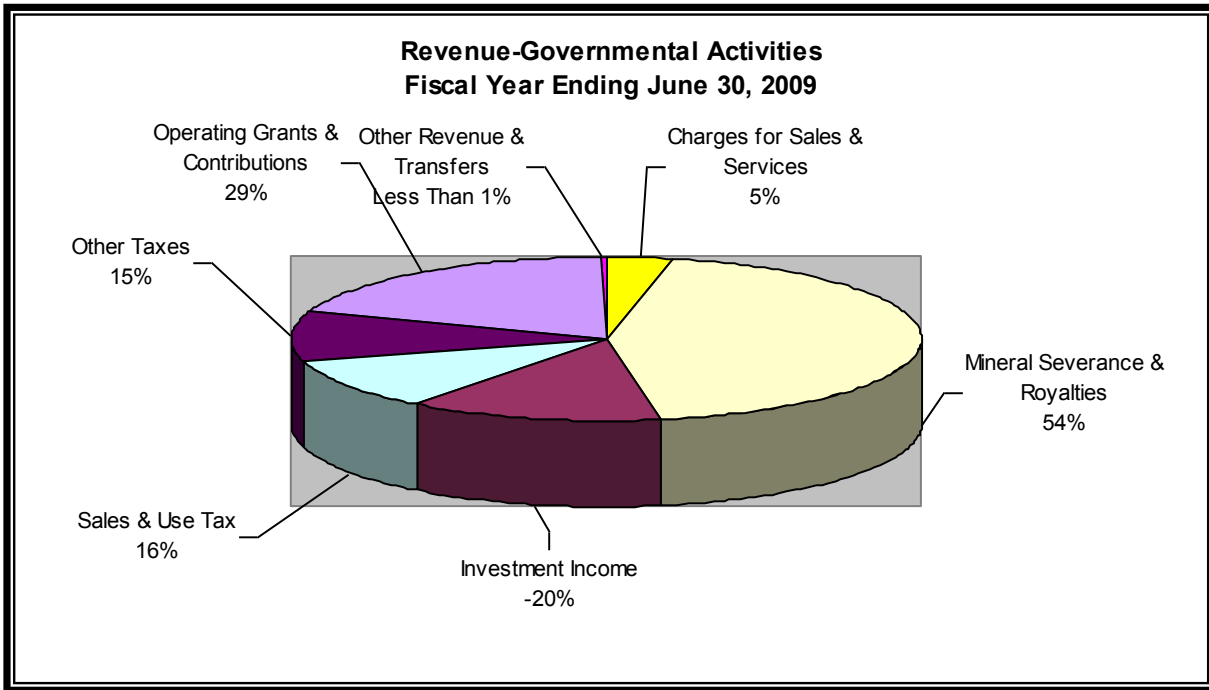
As of June 30, 2009, the State of Wyoming is able to report positive balances in all three categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

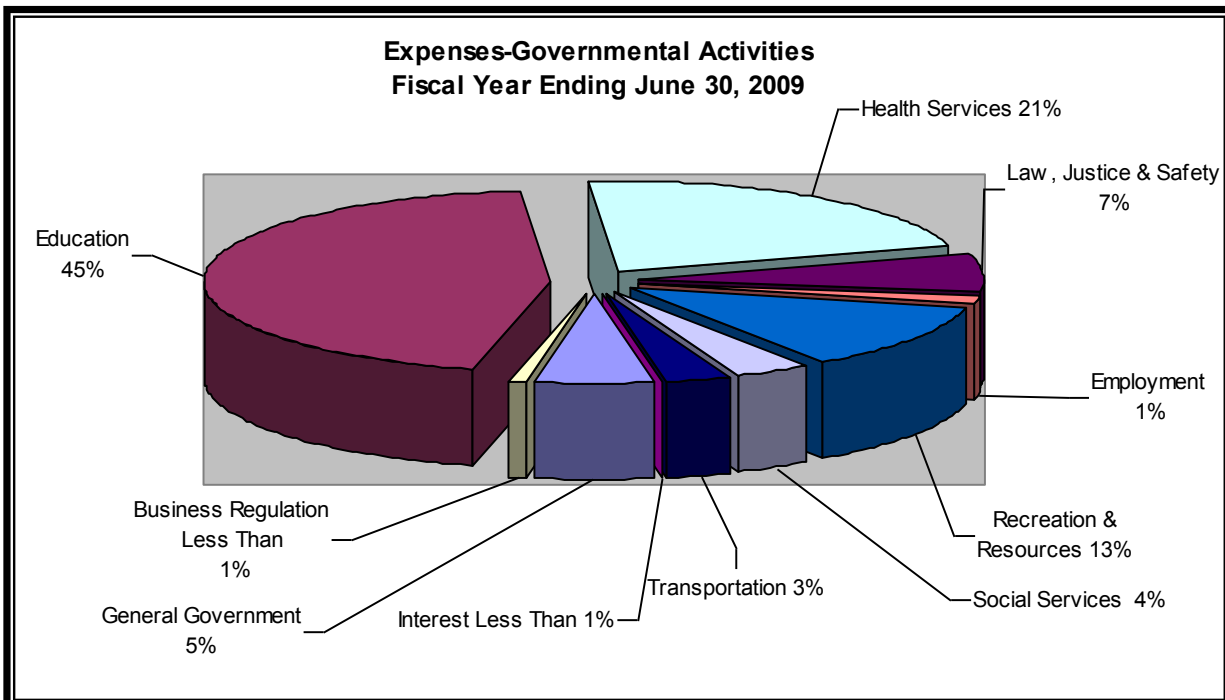
State of Wyoming's Changes in Net Assets for Fiscal Year Ended June 30, 2009 Statement of Activities						
	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program revenues:						
Charges for services	\$ 256,924,154	\$ 175,990,641	\$ 422,386,614	\$ 401,487,167	\$ 679,310,768	\$ 577,477,808
Operating grants	933,935,477	983,093,735	3,386,536	2,190,484	937,322,013	1,004,998,576
Capital grants and contributions	5,997,717	19,493,061	0	0	5,997,717	19,493,061
General revenues:						
Taxes	3,149,557,383	2,884,826,612	0	0	3,149,557,383	2,884,826,612
Investment income	403,719,161	(670,535,152)	47,523,826	(16,224,753)	45,124,987	(686,759,905)
Total revenues	4,750,133,892	3,392,868,897	473,296,976	407,167,255	5,223,430,868	3,800,036,152
Expenses:						
General government	496,018,747	207,239,377	0	0	496,018,747	207,239,377
Business regulations	30,756,984	3,160,565	0	0	30,756,984	3,160,565
Education	1,363,669,891	1,724,849,807	0	0	1,363,669,891	1,724,849,807
Health services	803,030,483	829,958,468	0	0	803,030,483	829,958,468
Law, justice and safety	225,666,408	261,297,086	0	0	225,666,408	261,297,086
Employment	54,599,502	52,638,304	0	0	54,599,502	52,638,304
Recreation and resource development	415,003,026	484,103,235	0	0	415,003,026	484,103,235
Social services	141,294,358	148,598,028	0	0	141,294,358	148,598,028
Transportation	166,731,502	111,759,433	0	0	166,731,502	111,759,433
Interest	2,651,584	2,455,954	0	0	2,651,584	2,455,954
Workers' Compensation Insurance			230,492,115	322,381,655	230,492,115	322,381,655
Liquor Commission			70,170,582	72,363,854	70,170,582	72,363,854
Canteen Fund			1,322,405	1,579,448	1,322,405	1,579,448
Subsidence Insurance			285,279	45,041	285,279	45,041
Honor Farm Ag. sales			408,463	258,092	408,463	258,092
WY Health Insurance			16,816,636	18,229,100	16,816,636	18,229,100
Unemployment Compensation			49,055,382	140,629,285	49,055,382	140,629,285
Total expenses	3,699,422,485	3,854,507,257	368,550,862	555,486,475	4,067,973,347	4,409,993,732
Increase (decrease) in net assets before transfers	1,050,711,407	(461,638,360)	104,746,114	(148,319,220)	1,155,457,521	(609,957,580)
Transfers	10,754,029	11,643,664	(10,754,029)	(11,643,664)	0	0
Increase (decrease) in net assets	1,061,465,436	(449,994,696)	93,992,085	(159,962,884)	1,155,457,521	(609,957,580)
Net assets beginning	9,767,996,497	10,850,001,516	368,297,889	462,289,974	10,136,294,386	11,312,291,490
Prior Period Adjustment (Footnote 1(D))	20,539,583	(10,169,610)		2,634,555	20,539,583	(99,060,055)
Net assets beginning restated	9,788,536,080	10,748,306,906	368,297,889	464,924,529	10,156,833,969	11,213,231,435
Net assets ending	\$ 10,850,001,516	\$ 10,298,312,210	\$ 462,289,974	\$ 304,961,645	\$ 11,312,291,490	\$ 10,603,273,855

The decrease in net assets related to governmental activities for the State of Wyoming was \$450.0 million during the current fiscal year. The majority of this decrease, as previously discussed is attributable to the declining revenues received from the State's commodities in the form of mineral severance taxes, federal mineral royalties and the State's sales and use tax on items related to the mining industry due to the declining commodity prices, the current recession that Wyoming and the rest of the United States were in as of June 30, 2009 and remain so at this writing.

The chart below represents revenues of the governmental activities for the fiscal year:



The following chart represents expenses of the governmental activities for the fiscal year:



Business-type activities. The net assets of the business type activities decreased by \$159.9 million during the fiscal year. This change was an overall decrease of revenues (\$68 million), while expenditures increase by \$186 million for fiscal year 2009 activity. In addition beginning net assets were restated by an increase of \$2.4 million. This restatement was due to the taxes receivable amount being understated for the Unemployment Fund.

Financial Analysis of the State of Wyoming's Funds

As noted earlier, the State of Wyoming uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the State of Wyoming's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources, as stated earlier. Such information is useful in assessing the State of Wyoming's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the State of Wyoming's governmental funds reported combined ending fund balances of \$9.8 billion, a decrease of \$560.0 million, in comparison with the prior year. Of this total fund balance, \$6.3 billion, is reserved within the permanent funds as nonexpendable. In addition, a portion of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, \$778.9 million, 2) for loans and advance receivables, \$374 million or 3) for inventory and prepaid expenses \$9.2 million.

General Fund. The general fund is the chief operating fund of the State of Wyoming. At the end of the current fiscal year, unreserved fund balance of the general fund was \$(195.0) million, while total fund balance was \$178.7 million. The net change in fund balance for 2009 in the general fund was a \$33.5 million decrease. A major element which factors in the change in fund balance, as to whether the change is a decrease as it is this year or an increase which it was last year, is primarily a result of a legislative directive that requires the undesignated general fund balance to be capped at an amount not to exceed \$10 million at the end of a biennium. Because Fiscal Year 2009 is the middle of the biennium, this cap does not apply and the requirement to sweep at the end of a biennium has been repealed by the Wyoming Legislature. The negative unassigned balance is a function of declining revenues to the General Fund, which were down approximately \$300 million over the previous year. A more detailed comparative analysis of the activity for the General Fund can be found on pages 12-15, of this MD&A.

Foundation Program Fund. Fund balance at June 30, 2009 totaled \$102.9 million, a net decrease in fund balance of \$346.9 million. This fund carries a legislative restriction on its undesignated fund balance which states it shall not exceed \$100 million. This restriction was not in effect for fiscal year 2008, but was reinstated by the Wyoming Legislature for fiscal year 2009 and beyond. For fiscal year 2009 and the biennium ending June 30, 2010, the undesignated fund balance in excess of \$100 million is to be transferred to the School Capital Construction Fund. The amount of this sweep in excess of \$100 million for fiscal year 2009 is \$208.6 million.

Legislative Reserve Fund. Fund balance at June 30, 2009 totaled \$1.4 billion, a net decrease in fund balance \$53.1 million for the year. This decrease is attributable to a decline in revenues of mineral severance taxes and federal mineral royalties.

Common School Land Fund. As of June 30, 2009, this fund balance totaled \$1.8 billion, a net decrease in fund balance of \$93.2 million for the year. This decrease is attributable to an increased decline in market value of corpus investments (\$243.9 million) an additional \$120 million loss in market value over 2008.

Permanent Mineral Trust Fund. Fund balance at June 30, 2009, totaled \$3.9 billion, a net decrease in fund balance of \$212.2 million for the year. This decrease is primarily due to an additional loss of \$305 million in market value of corpus investments over 2008. Additionally, in 2008 the cap limits on the Permanent Mineral Trust Fund Spending Policy Fund was in play which resulted in an additional \$171 million being moved back to the corpus.

American Recovery and Reinvestment Fund. This is a new major fund identified for 2009, designated as such due to interest in federal stimulus funds being received by the State of Wyoming. Its fund balance is \$5.6 million. This fund is used to account for most federal stimulus funding received, except those received for highway infrastructure and for the University of Wyoming. There are some formula driven stimulus funds that are not accounted for in this fund such as those received by the Supplemental Nutrition Program (SNAP).

Proprietary funds. The State of Wyoming’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

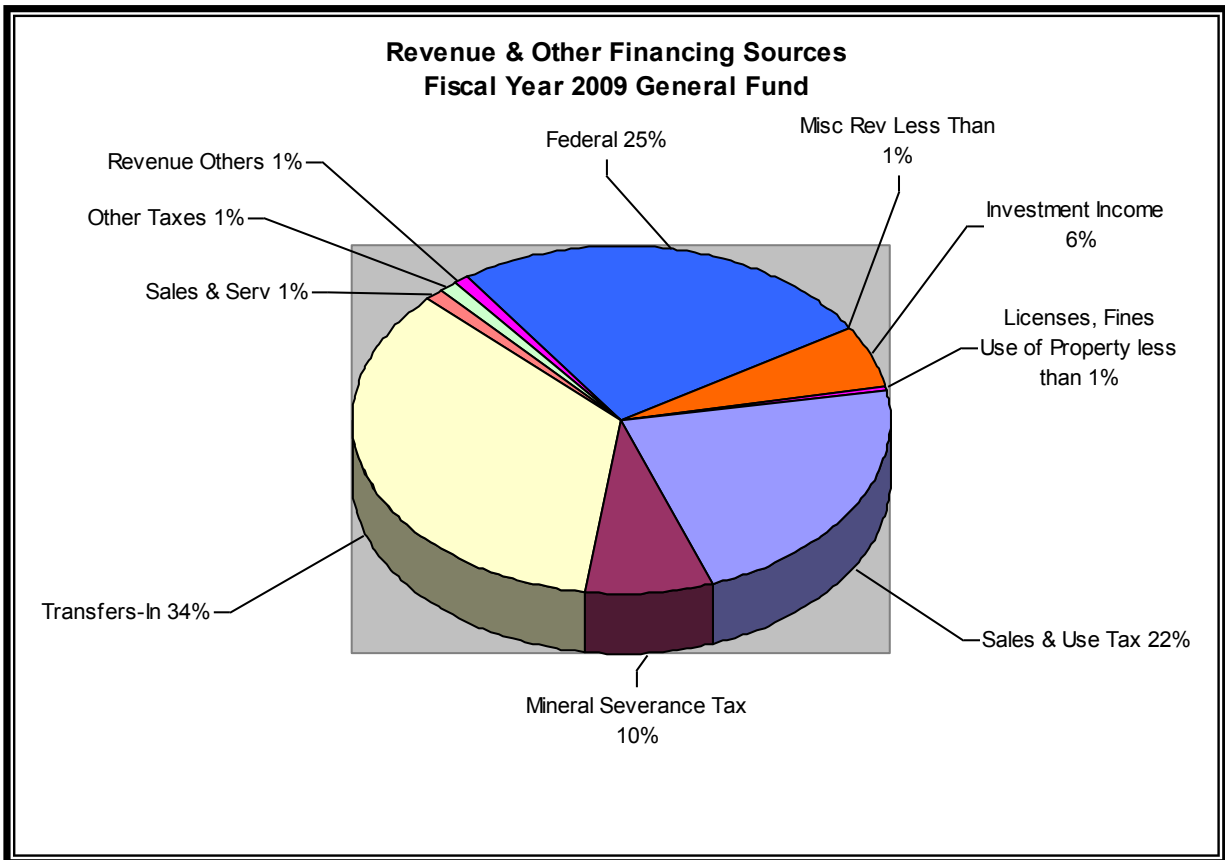
Unrestricted net assets of the enterprise funds as of June 30, 2009, totaled \$20.6 million. The major enterprise fund, the Worker’s Compensation Fund, had net assets of \$27.8 million as of June 30, 2009, which is a \$113.7 million decline over the prior year. This decrease is due to the reserve for claims and benefits increasing by approximately \$144 million. Additionally, beginning net assets for the non-major enterprise fund—the Unemployment Compensation Fund incurred a restatement of \$2.6 million due to taxes receivable being understated for the prior year as a result of analysis done for fiscal year ending June 30, 2009.

General Fund Budgetary Highlights

The 2009-2010 Biennial Appropriations for the General Fund totaled \$4.9 billion. Major budgetary items are briefly summarized below:

- \$200 million Highway Construction (Transportation);
- \$358.2 million for cities, towns and counties;
- \$50.8 million University of Wyoming Construction;
- \$96 million Wyoming Business Council (Employment, Economic Development and Commerce);
- \$1.07 billion Federal Funds (across various programs);
- \$25 million Construction in Progress;
- \$56 million for natural resource programs.
- \$2.7 billion for general government operations

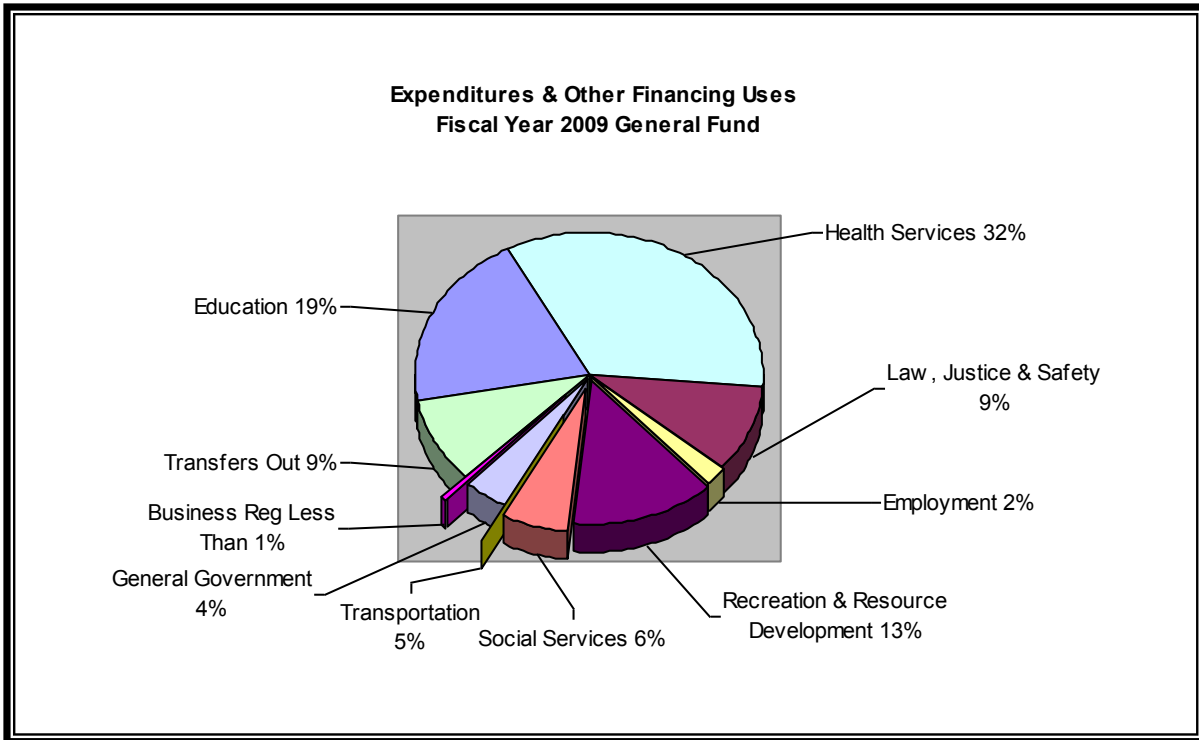
The total general fund revenues are presented in a pie chart below to display how sources relate to total revenue. The table on the following page shows the change in 2008 and 2009 revenue sources. On page 14, General Fund expenditures are similarly presented, depicting functions as they relate to total expenditures.



As shown in the table following, total Revenues decreased overall by \$236.2 million, with Other Financing Sources (transfers-in) increasing 14% or \$100.8 million in fiscal year 2009. The General Fund saw decreases from its major revenue sources—sales and use taxes, mineral severance taxes and investment income. The decrease in investment income of \$246.9 million is due in large measure to distributing realized investment losses of the Permanent Mineral Trust Fund.

General Fund Revenue and Other Financing Sources for Fiscal Year Ended June 30, 2009					
	FY08	FY09	Increase (Decrease)	Percent Change	
Taxes:					
Sales & Use	\$ 530,924,672	\$ 522,223,050	\$ (8,701,622)	-2%	
Mineral Severance	253,634,701	228,216,617	(25,418,084)	-10%	
Other Taxes	27,131,325	24,091,772	(3,039,553)	-11%	
Licenses and Permits	7,733,900	7,641,217	(92,683)	-1%	
Fines & Forfeitures	4,558,858	4,593,486	34,628	1%	
Use of Property	3,948,472	4,440,067	491,595	12%	
Investment Income	387,252,587	140,285,339	(246,967,248)	-64%	
Charges for Sales & Services	24,400,200	28,103,341	3,703,141	15%	
Revenue from Others	23,687,620	23,116,434	(571,186)	-2%	
Federal	568,599,536	614,187,997	45,588,461	8%	
Miscellaneous Receipts	1,338,632	81,235	(1,257,397)	-94%	
Federal Mineral Royalties	2,000,000	2,000,000	0	0%	
Total Revenues	1,835,210,503	1,598,980,555	(236,229,948)	-13%	
Other Financing Sources:					
Capital Leases	387,801	285,173	(102,628)	-26%	
Transfers-In	720,622,368	821,478,762	100,856,394	14%	
Total Other Financing Sources	721,010,169	821,763,935	100,753,766	14%	
Total Revenue & Other Financing Sources	\$ 2,556,220,672	\$ 2,420,744,490	\$ (135,476,182)	-5%	

Because the Legislature considers the General Fund and Budget Reserve Fund as one 'pot' when making appropriations, transfers from the Budget Reserve to the General Fund are used as a 'budget balancer' in the Appropriations Bill to 'balance out' the expenditures coming from the General Fund. The percentage change of transfers-in to the General Fund is a result of these 'budget balancer' transfers and may vary widely year to year depending on whether it's the end of a biennium or the middle of a biennium. Fiscal year 2009 is the middle of a biennium. As noted in the above table, transfers in for fiscal year 2009 show an increase of 14 percent from 2008.



As shown in the table following, overall Expenditures decreased by 2% or \$36.9 million, while Other Financing Uses decreased by 74 percent or \$647 million in fiscal year 2009. General Government decreased its expenditures by \$143.7million. A majority of this decrease to General Government expenditures was the result of recording securities lending expenditures on a gross basis for financial reporting purposes. While this added \$27 million to General Government expenditures in the current year, it was \$116 million less than was recorded for fiscal year 2008.

Transportation expenditures decreased \$54.9 million or 33 percent. This percentage decrease is attributable to the State decreasing their General Fund appropriations for highway maintenance. GAAP requires these transfers to a component unit be reclassified as expenditures in the primary government, rather than as a "transfer out."

Recreation & Resource Development increased \$69.7 million or 27 percent. This increase was largely attributable to increased funding to cities, towns and counties through legislatively directed payments utilizing specific formula distributions as well as providing funding for capital projects through an application process.

	FY08	FY09	Increase (Decrease)	Percent Change
General Government	\$ 239,241,876	\$ 95,509,101	\$ (143,732,775)	-60%
Business Regulation	9,413,446	11,011,652	1,598,206	17%
Education	431,565,472	467,246,680	35,681,208	8%
Health Services	766,635,001	791,662,669	25,027,668	3%
Law, Justice and Safety	207,832,337	229,822,733	21,990,396	11%
Employment	48,258,831	48,189,292	(69,539)	0%
Recreation & Resource Development	258,640,028	328,346,073	69,706,045	27%
Social Services	136,671,161	144,460,753	7,789,592	6%
Transportation	166,731,502	111,759,433	(54,972,069)	-33%
Total Expenditures	2,264,989,654	2,228,008,386	(36,981,268)	-2%
Other Financing Uses				
Transfers-Out	873,244,090	226,239,474	(647,004,616)	-74%
Total Expenditures & Other Financing Uses	\$ 3,138,233,744	\$ 2,454,247,860	\$ (683,985,884)	-22%

Capital Asset and Debt Administration

Capital Assets. The State of Wyoming's investment in capital assets, net of related debt, for its governmental and business type activities as of June 30, 2009, amounts to \$586.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems improvements, machinery and equipment, and park facilities.

Major capital asset events during the current fiscal year included the following:

- The completion of the Supreme Court building major upgrade totaling approximately \$15.9 million is near completion at the close of the fiscal year.
- Architectural design and construction is continuing for the new Military Headquarters; \$140 million had been appropriated for the complete project, with expenditures totaling 20.9 million for the fiscal year.
- Construction continues on the new prison in Torrington for the Department of Corrections construction in progress had reached approximately \$100.1 million.
- Completion of an Agriculture Equine Building at the State Fair--\$6.1 million.
- Completion of a remodel of the Casper Armory--\$4.9 million.
- Construction on master plan of Wyoming Girls School-\$9.1 million.
- Construction on a Joint Labs Facility expected to cost \$68 million.

More detailed information about the State's incomplete construction in progress is presented in Note 12 to the basic financial statements, on page 91.

At the end of the fiscal year 2009, the State had invested \$631 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). The accumulated depreciation as of June 30, 2009, totaled \$402.3 million.

Capital Assets, Net of Depreciation for Fiscal Year Ended June 30, 2009						
	Governmental Activities		Business-Type Activities		2008	2009
	2008	2009	2008	2009	Total Primary Government	Total Primary Government
Land	\$ 48,822,100	\$ 55,591,911	\$ 0	\$ -	\$ 48,822,100	\$ 55,591,911
Buildings, structures, & improvements	256,705,601	282,575,567	0	-	256,705,601	282,575,567
Equipment, furniture, & fixtures	60,920,934	67,152,740	2,707,358	2,183,974	63,628,292	69,336,714
Capitalized leases	1,028,054	735,896	185,898	37,179	1,213,952	773,075
Construction in progress	147,309,832	222,801,695	0	-	147,309,832	222,801,695
Total	\$ 54,786,521	\$ 628,857,809	\$ 2,893,256	\$ 2,221,153	\$ 57,679,778	\$ 631,078,962

Additional information on the State of Wyoming's capital assets can be found in Note 5 on pages 66-69 of this report.

The State's Department of Transportation (DOT), a component unit of the State, is responsible for the majority of the infrastructure (consisting of roadways and bridges). As allowed by GASB Statement No. 34, DOT has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, DOT expenses certain maintenance and preservation costs and does not report depreciation expense. More detailed information about the DOT capital assets and the reporting criteria are available in the Wyoming Department of Transportation Component Unit Financial and Compliance Report as of September 30, 2008 and on pages 104-105 of this report. DOT's policy is to maintain 83% of its national highway system bridges and 80% of its non-national highway system bridges in acceptable condition. In 2008, 96.4% of all NHS bridges were rated acceptable or above and 93.2% of non NHS bridges were rated acceptable or above. DOT's policy is to maintain its national highway system streets at an average rating of 3.25 and its non-national highway system streets at 3.00, on a 0-5 point scale. In 2008, the National Highway System streets rated 3.46 and the non-national highway system rated 3.16.

Bonded debt.

The state did not issue any new debt for fiscal year 2009 either as new or as refunding of old debt.

At the end of the current fiscal year, the State of Wyoming had total bonded debt outstanding of \$41.2 million. This amount, represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The State of Wyoming has a debt limitation for revenue bonds relating to capital construction in the amount of \$105 million, which is significantly in excess of the outstanding revenue bond debt.

Additional information on the State of Wyoming's long-term debt can be found in Note 8 on pages 73-84 of this report.

Economic Outlook and Condition

National Economy

Speaking on the one year anniversary of the collapse of investment banking firm Lehman Brothers, Federal Reserve Chairman Ben Bernanke declared the recession over—technically speaking—he cautioned that pain—especially for the nearly 15 million unemployed Americans—will persist. Bernanke indicated it was going to feel like a very weak economy for some time because many people will still find their job security and their employment status is not what they wish it was. Bernanke said the economy is likely to grow, but he warned that it wouldn't be sufficient to prevent the unemployment rate which was at a 26 year high of 9.7 percent, from rising. The national unemployment rate had risen to 10.6 percent by November 2009. For this same period the effective unemployment rate was 19.2 percent .

The national economy did grow in the third quarter, for the first time in a year. Fewer Americans are filing new claims for unemployment insurance, and giant financial institutions appear less apt to collapse and send the country into another stupor. The stock market has recovered much of its winter decline coming off the low point in March 2009. But caution remains the watch dog as many financial institutions remain unhealthy and 140 banks have failed since the start of 2008. Many are calling this a jobless recovery, as firms are more likely to increase the hours of underemployed workers before hiring unemployed workers, and many firms are using technology to streamline the hiring process, and that can hold down the headcount even when things get better.

Wyoming's Economy

Wyoming added 10,000 new jobs in fiscal year 2007. For fiscal year 2008 Wyoming added 8,000 jobs. The recession hit Wyoming in fiscal year 2009. This was the first year in 21 years that Wyoming experienced a net job loss and statewide payroll shrank from one year to the next. For fiscal year 2009 Wyoming lost 8,900 jobs.

As noted elsewhere in this report Wyoming has the least diversified economy of the 50 states. Wyoming is dependent on the revenues from the extraction industry. This includes mineral severance taxes, interest from the Permanent Mineral Trust Fund, mining related sales and use tax collections, a gross products tax levied on mineral production and federal mineral royalties. These revenues appear to play an ever increasing role in the funding of general operations of state government, for city, town and county government for primary and secondary education and for school and general capital construction.

The decline in revenues from this sector will have a wave like effect rather than a slight ripple effect. The Governor has already reduced the second year appropriations of the 2009-2010 biennium by approximately \$205 million. From their October 2008 revenue forecast for the 2011-2012 biennium to their October 2009 revenue forecast for the same period—total projected revenues have fallen by \$1.2 billion.

- As of June 2009, Wyoming's unemployment rate was 5.9 percent while June 2008 was 3.2%. This compares favorably with the 9.5% rate for the United States in June of 2009, which because of the national recession had increased its year ago mark of 4.5 percent unemployment.
- Wyoming's unemployment rate through November 2009 had risen to 6.6 percent.
- For additional information and analysis of Wyoming's economy you are referred to the following website of the State's economic analysis division at <http://eadiv.state.wy.us/>

Request for information

This financial report is designed to provide a general overview of the State of Wyoming's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Wyoming, State Auditor's Office, State Capitol, Room 114, Cheyenne WY, 82002 or see at <http://sao.state.wy.us/>.

