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**STATE OF WYOMING**

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**MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS**

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**For Fiscal Year Ended  
June 30, 2010**

## 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, 2010. 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-iv of this report.

### Financial Highlights

#### Government-Wide:

- The assets of the State of Wyoming exceeded its liabilities as of June 30, 2010 by \$12.2 billion (reported as net assets). This is an increase of \$1.6 billion from June 30, 2009. Of this amount, \$4 billion is unrestricted net assets that may be used to meet the government's ongoing obligations. Also, beginning net assets were restated to increase net assets by \$42.6 million. Component units reported net assets of \$6.8 billion.

#### Fund Level:

- As of June 30, 2010, the State of Wyoming's governmental funds reported combined ending fund balances of \$11.4 billion, an increase of \$1.5 billion.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$149 million.
- The enterprise funds reported net assets at year-end of \$229 million a decline of \$75.7 million from June 30, 2009.

### 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 18 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 19-20 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.

**Fund financial statements.** The major fund financial statements begin on page 21 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 22 and 24) 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 25-27 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 28-29 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 31-96 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 98-106 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 108-176 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 \$12.2 billion at the close of fiscal year 2010. This was an increase of \$1.6 billion. This increase was buoyed by steady albeit lower commodity prices, a governor's budget reduction plan which reduced appropriations by \$205 million and investment returns which produced a year over year increase of \$1.8 billion from investment income (\$327 million and change in fair value of investments of \$1.5 billion).

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

State of Wyoming's Net Assets for Fiscal Year Ended June 30, 2010						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current and other non-current assets	\$ 13,139,944,114	\$ 15,736,161,417	\$ 1,719,021,654	\$ 1,981,889,516	\$ 14,858,965,768	\$ 17,718,050,933
Capital assets, net of accumulated depreciation	628,857,809	815,860,069	2,221,153	8,077,324	631,078,962	823,937,393
Total assets	<u>13,768,801,923</u>	<u>16,552,021,486</u>	<u>1,721,242,807</u>	<u>1,989,966,840</u>	<u>15,490,044,730</u>	<u>18,541,988,326</u>
Current liabilities	3,272,625,885	4,328,777,688	470,715,533	678,832,391	3,743,341,418	5,007,610,079
Long-term liabilities	197,863,828	223,825,036	945,565,629	1,081,936,242	1,143,429,457	1,305,761,278
Total liabilities	<u>3,470,489,713</u>	<u>4,552,602,724</u>	<u>1,416,281,162</u>	<u>1,760,768,633</u>	<u>4,886,770,875</u>	<u>6,313,371,357</u>
Net assets:						
Invested in capital assets, net of related debt	585,598,012	776,877,844	2,221,153	7,764,102	587,819,165	784,641,946
Restricted	6,484,777,308	7,339,532,990	282,102,299	197,407,871	6,766,879,607	7,536,940,861
Unrestricted (deficit)	3,227,936,890	3,883,007,928	20,638,193	24,026,234	3,248,575,083	3,907,034,162
Total net assets	<u>\$ 10,298,312,210</u>	<u>\$ 11,999,418,762</u>	<u>\$ 304,961,645</u>	<u>\$ 229,198,207</u>	<u>\$ 10,603,273,855</u>	<u>\$ 12,228,616,969</u>

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 \$785 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, \$7.5 billion, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets is \$4 billion.

The majority of the current and other non-current assets of \$17.7 billion, consists of various cash and pooled investments of \$14.8 billion, and accounts receivable, due from other governments and loan receivables (including interest receivable) of \$2.8 billion. The remaining amount is comprised of other assets such as inventory and prepaid expenses.

The current liabilities of \$5 billion are comprised of various items: \$2.2 billion is related to liabilities under security lending; \$247 million is related to claims and benefits payable; \$2.2 billion is related to various accounts payable. The amount of unavailable revenue totaling \$257 million is attributable to property taxes and long term loans reserved. The remaining amount of \$100 million is made up of compensated absences, current portion of bonds payable, and various other liabilities.

The majority of the long-term liabilities of \$1.3 billion is comprised of claims and benefits payable of \$1.2 billion, compensated absences of \$15.7 million and bonds payable of \$35.9 million. The State's estimated GASB 45 OPEB liability is \$36.3 million.

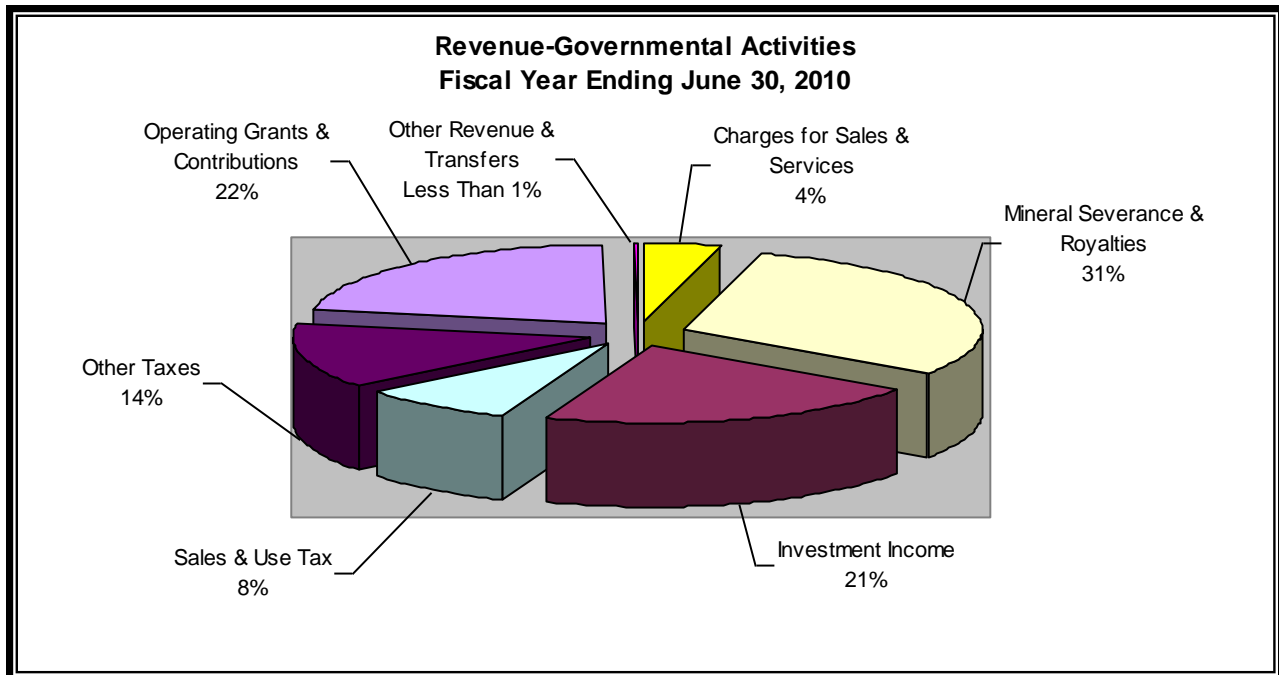
As of June 30, 2010 the State of Wyoming is able to report positive balances in all three categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

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:

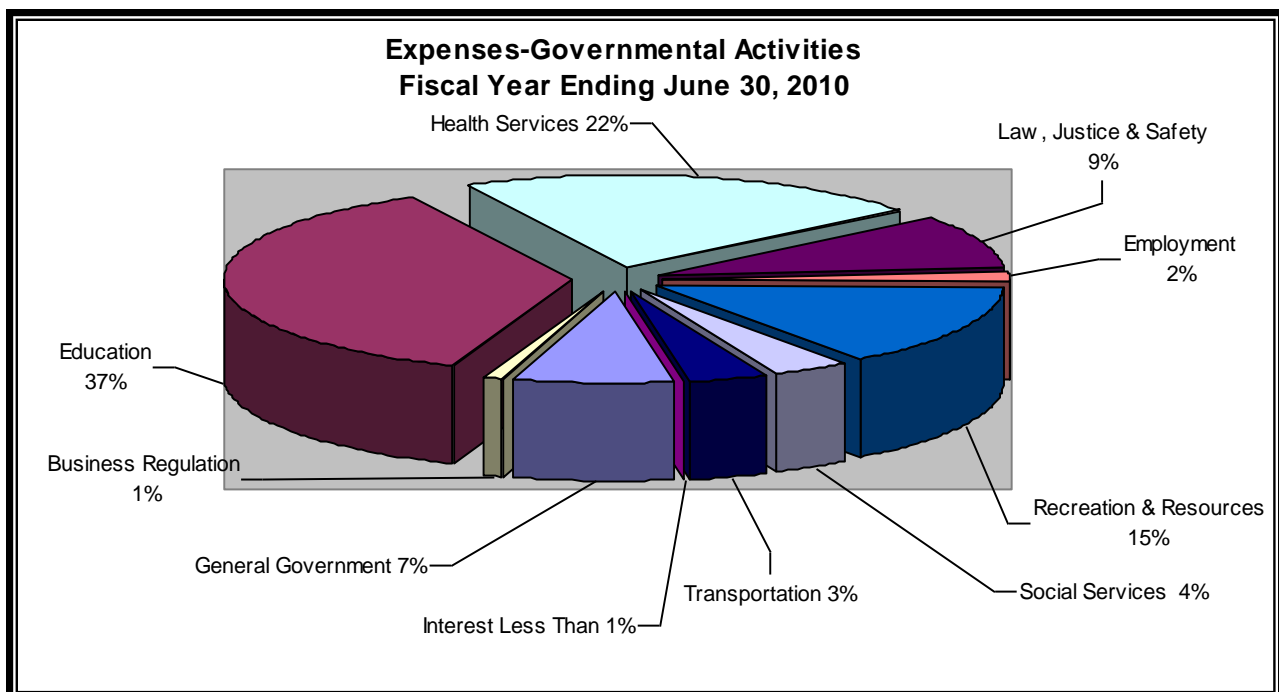
State of Wyoming's Changes in Net Assets for Fiscal Year Ended June 30, 2010 Statement of Activities						
	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 175,990,641	\$ 197,446,166	\$ 401,487,167	\$ 386,892,034	\$ 577,477,808	\$ 584,338,200
Operating grants	983,093,735	1,145,916,316	2,190,841	102,951,972	1,004,998,576	1,248,868,288
Capital grants and contributions	19,493,061	16,988,488	0	0	19,493,061	16,988,488
<b>General revenues:</b>						
Taxes	2,884,826,612	2,872,485,489	0	0	2,884,826,612	2,872,485,489
Investment income	(670,535,152)	1,137,579,134	(16,224,753)	139,028,560	(686,759,905)	1,276,607,694
<b>Total revenues</b>	<b>3,392,868,897</b>	<b>5,370,415,593</b>	<b>407,167,255</b>	<b>628,872,566</b>	<b>3,800,036,152</b>	<b>5,999,288,159</b>
<b>Expenses:</b>						
General government	207,239,377	251,898,109	0	0	207,239,377	251,898,109
Business regulations	31,607,565	32,978,156	0	0	31,607,565	32,978,156
Education	1,724,849,807	1,387,461,384	0	0	1,724,849,807	1,387,461,384
Health services	829,958,468	822,512,283	0	0	829,958,468	822,512,283
Law, justice and safety	261,297,086	345,123,584	0	0	261,297,086	345,123,584
Employment	52,638,304	56,863,708	0	0	52,638,304	56,863,708
Recreation and resource development	484,103,235	553,438,643	0	0	484,103,235	553,438,643
Social services	148,598,028	139,061,992	0	0	148,598,028	139,061,992
Transportation	111,759,433	128,182,011	0	0	111,759,433	128,182,011
Interest	2,455,954	2,257,847	0	0	2,455,954	2,257,847
Workers' Compensation Insurance	0	0	322,381,655	324,793,767	322,381,655	324,793,767
Liquor Commission	0	0	72,363,854	71,872,201	72,363,854	71,872,201
Canteen Fund	0	0	1,579,448	1,611,814	1,579,448	1,611,814
Subsidence Insurance	0	0	45,041	156,703	45,041	156,703
Honor Farm Ag. sales	0	0	258,092	430,158	258,092	430,158
WY Health Insurance	0	0	18,229,100	22,461,821	18,229,100	22,461,821
Unemployment Compensation	0	0	140,629,285	275,448,594	140,629,285	275,448,594
<b>Total expenses</b>	<b>3,854,507,257</b>	<b>3,719,777,717</b>	<b>555,486,476</b>	<b>696,775,058</b>	<b>4,409,993,732</b>	<b>4,416,552,775</b>
Increase (decrease) in net assets before transfers	(461,638,360)	1,650,637,876	(148,319,221)	(67,902,492)	(609,957,581)	1,582,735,384
Transfers	11,643,664	7,860,946	(11,643,664)	(7,860,946)	0	0
Increase (decrease) in net assets	(449,994,696)	1,658,498,822	(159,962,885)	(75,763,438)	(609,957,581)	1,582,735,384
Net assets beginning	10,850,001,516	10,298,312,210	462,289,974	304,961,645	11,312,291,490	10,603,273,855
Prior Period Adjustment (Footnote 1(D))	(10,169,461)	42,607,730	2,634,555	0	(99,060,055)	42,607,730
Net assets beginning restated	10,748,306,906	10,340,919,940	464,924,529	304,961,645	11,213,231,435	10,645,881,585
<b>Net assets ending</b>	<b>\$ 10,298,312,210</b>	<b>\$ 11,999,418,762</b>	<b>\$ 304,961,644</b>	<b>\$ 229,198,207</b>	<b>\$ 10,603,273,854</b>	<b>\$ 12,228,616,969</b>

The increase in net assets related to governmental activities for the State of Wyoming was \$1.6 billion during the current fiscal year. This increase is attributable to declining but steady commodity prices resulting in better than expected revenues, better than expected investment earnings aided by the governor's budget reduction plan of \$205 million reduction in outstanding appropriations for fiscal year 2010.

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 \$75.7 million during the fiscal year. This majority of this decrease was driven by an increase of expenditures for the Unemployment Trust Fund, which increased by \$132 million principally from additional funding received through the American Recovery and Reinvestment Act (ARRA) otherwise known as "the Stimulus Act" from the federal government. This is seen in the increased revenue from grants which increased by \$81 million.

## 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, 2010, the State of Wyoming's governmental funds reported combined ending fund balances of \$11.4 billion, an increase of \$1.5 billion. Of this total fund balance, \$7.2 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, \$703.5 million, 2) for loans and advance receivables, \$396.5 million or 3) for inventory and prepaid expenses \$4.7 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 \$149 million, while total fund balance was \$399.3 million. The net change in fund balance for 2010 in the general fund was a \$220.5 million increase. The reasons for the increase are better than expected investment earnings from investment income and the change in fair market value of investments. A more detailed comparative analysis of the activity for the General Fund can be found on pages 12-15, of this MD&A. The State Auditor is required by statute to sweep any positive unappropriated fund balance at the end of a biennium to the Budget Reserve Fund. Fiscal year 2010 is the end of a biennium and this sweep will result in a transfer to the Budget Reserve Fund of \$130.4 million.

**Foundation Program Fund.** Fund balance at June 30, 2010 totaled \$170.5 million, a net increase in fund balance of \$67.6 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 was \$208.6 million. The amount of this sweep in excess of \$100 million for fiscal year 2010 was \$386 million. For fiscal year 2010 the excess is to be transferred to the School Capital Construction Fund.

**Legislative Reserve Fund.** Fund balance at June 30, 2010 totaled \$1.4 billion, a net increase in fund balance \$8.7 million for the year. This Budget Reserve Account (BRA) within the Legislative Reserve Fund Class carries a legislative restriction on its undesignated fund balance which states for the end of the 2009-2010 biennium, it shall not exceed \$96.3 million and any excess shall be transferred to the Legislative Stabilization Reserve Account (LSRA). For financial reporting purposes the LSRA and BRA are in the same reporting fund. Therefore this transfer is not reflected in the financial statements. It is estimated this transfer will be approximately \$701 million. This will result in the LSRA Fund at June 30, 2010 containing approximately \$1.02 billion in unassigned fund balance.

**Common School Land Fund.** As of June 30, 2010, this fund balance totaled \$2 billion, a net increase in fund balance of \$263.5 million for the year. This increase is attributable to an increase in market value of corpus investments (\$359.8 million) year over year.

**Permanent Mineral Trust Fund.** Fund balance at June 30, 2010, totaled \$4.5 billion, a net increase in fund balance of \$556 million for the year. This increase is attributable to an increase in market value of corpus investments (\$850 million) year over year.

**American Recovery and Reinvestment Fund.** As of June 30, 2010, its fund balance was \$10.3 million a net increase of \$4.6 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.

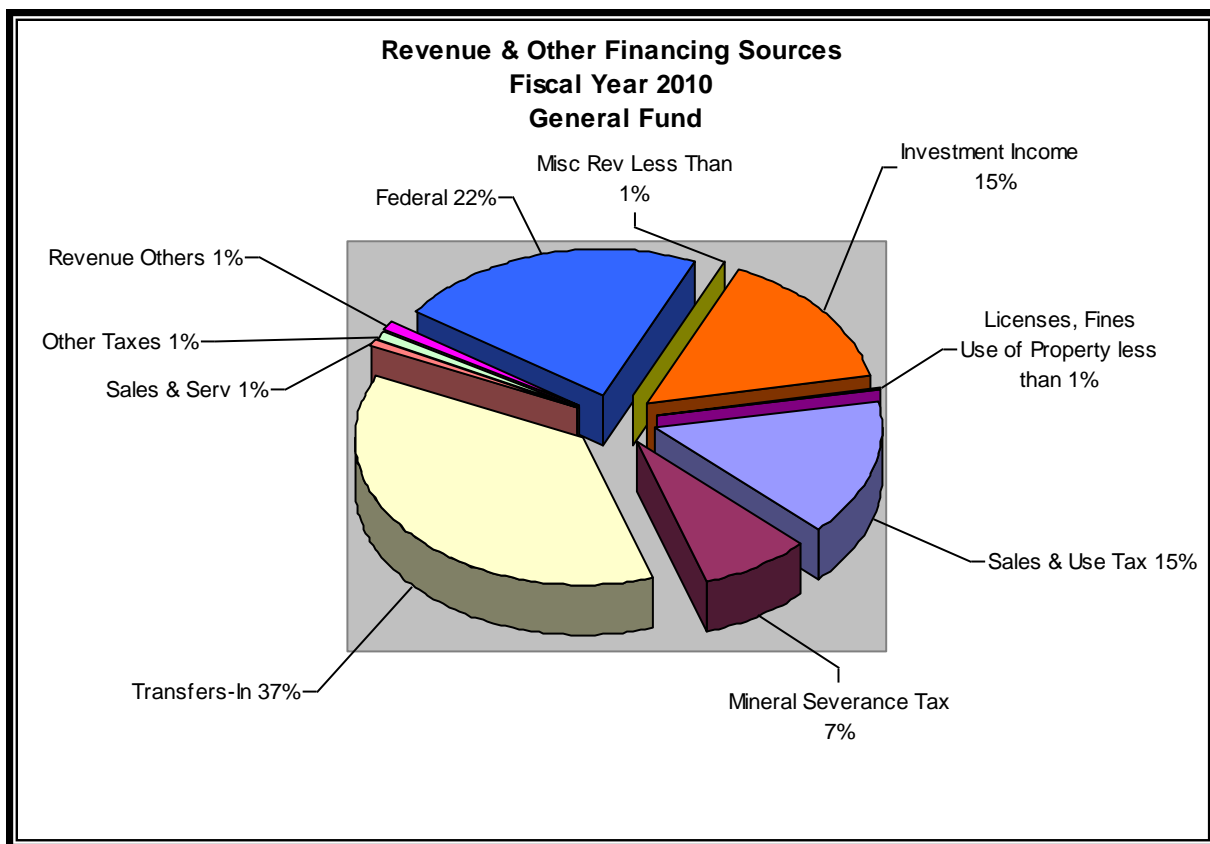
Unrestricted net assets of the enterprise funds as of June 30, 2010, totaled \$229.2 million. The major enterprise funds, the Worker's Compensation Fund and Unemployment Trust Fund, had net assets of \$205 million as of June 30, 2010. For the major enterprise funds their net assets of \$205 million represented a decrease of \$79 million for the year.

### General Fund Budgetary Highlights

The 2009-2010 Biennial Appropriations for the General Fund totaled \$5.06 billion. The net change to the 2009-2010 Biennial Appropriations for fiscal year 2010 was \$100 million. Major budgetary items are briefly summarized below:

- \$(205) million Governor's Budget Reduction Plan;
- \$8.2 million for cities, towns and counties;
- \$2.7 million University of Wyoming Construction;
- \$173 million Federal Funds (across various programs);
- \$90 million Construction in Progress;
- \$10 million for community college construction;
- \$16.6 billion for Governor's Contingency Fund for flood relief;
- \$3 million for Water Development Fund transfer;

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 2009 and 2010 revenue sources. On page 14, General Fund expenditures are similarly presented, depicting functions as they relate to total expenditures.

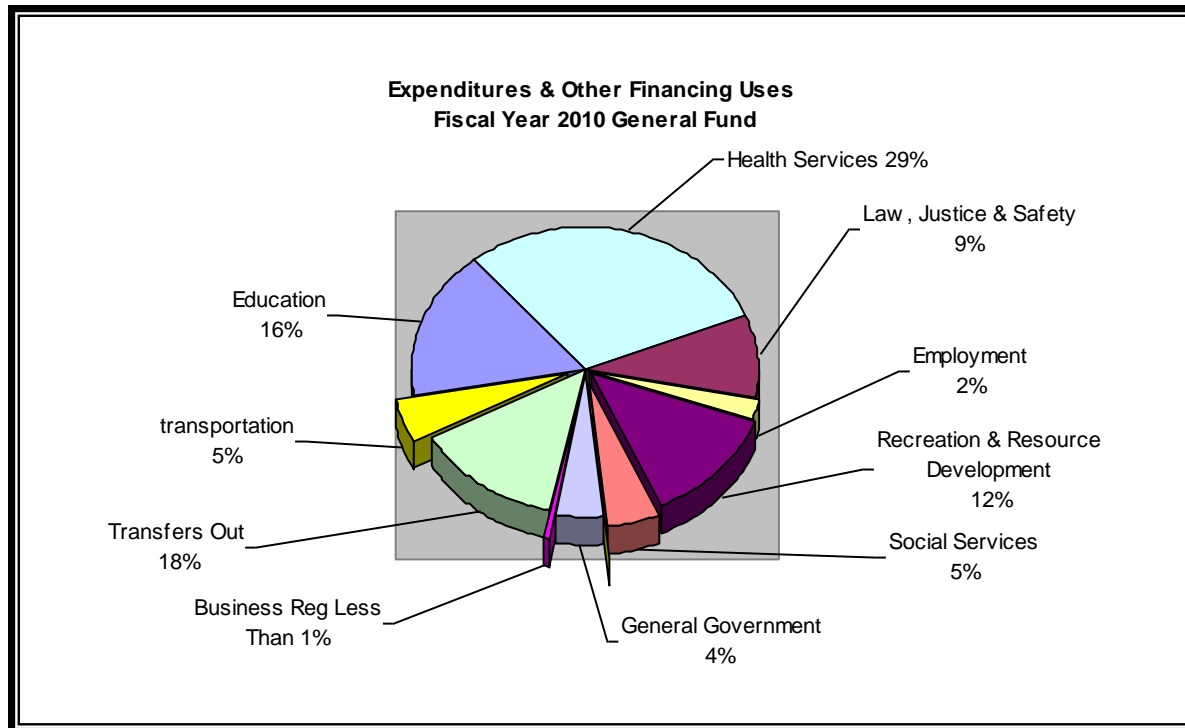


As shown in the table following, total Revenues increased overall by \$257.8 million, with Other Financing Sources (transfers-in ) increasing 32% or \$265.8 million in fiscal year 2010. The General Fund saw its increase in revenues primarily in investment income which increased \$311 million or 222% year over year. Sales tax declined 15% or \$79 million which reflected the continuing struggle of Wyoming's economy and the loss of mining sector jobs through much of fiscal year 2010.

General Fund Revenue and Other Financing Sources for Fiscal Year Ended June 30, 2010				
	FY09	FY10	Increase (Decrease)	Percent Change
<b>Taxes:</b>				
Sales & Use	\$ 522,223,050	\$ 442,823,944	\$ (79,399,106)	-15%
Mineral Severance	228,216,617	221,228,314	(6,988,303)	-3%
Other Taxes	24,091,772	23,833,362	(258,410)	-1%
Licenses and Permits	7,641,217	7,833,063	191,846	3%
Fines & Forfeitures	4,593,486	5,126,345	532,859	12%
Use of Property	4,440,067	6,439,376	1,999,309	45%
Investment Income	140,285,339	452,147,329	311,861,990	222%
Charges for Sales & Services	28,103,341	21,994,547	(6,108,794)	-22%
Revenue from Others	23,116,434	32,322,799	9,206,365	40%
Federal	614,187,997	641,037,374	26,849,377	4%
Miscellaneous Receipts	81,235	0	(81,235)	-100%
Federal Mineral Royalties	2,000,000	2,000,000	0	0%
<b>Total Revenues</b>	<b>1,598,980,555</b>	<b>1,856,786,453</b>	<b>257,805,898</b>	<b>16%</b>
<b>Other Financing Sources:</b>				
Capital Leases	285,173	131,883	(153,290)	-54%
Transfers-In	821,478,762	1,087,284,228	265,805,466	32%
<b>Total Other Financing Sources</b>	<b>821,763,935</b>	<b>1,087,416,111</b>	<b>265,652,176</b>	<b>32%</b>
<b>Total Revenue &amp; Other Financing Sources</b>	<b>\$ 2,420,744,490</b>	<b>\$ 2,944,202,564</b>	<b>\$ 523,458,074</b>	<b>22%</b>

The change in revenue from capital leases is a reflection of the recently adopted policy of the state's Chief Information Officer (CIO), of purchasing computer equipment rather than leasing. All requests for leasing computer equipment must be approved by the office of the CIO as a result the number of new leases has declined.

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.



As shown in the table following, overall Expenditures increased by less than one percent or \$2.8 million, while Other Financing Uses increased by 118 percent or \$266.4 million in fiscal year 2010. General Government increased by 21 percent or \$20.4 million. No one particular item accounts for the overall increase, but a (\$2.3 million increase is attributable to the payment of additional investment manager fees), lesser amounts (\$1 million or less increase) are attributable across several agency programs, which operate as a general government entity.

The increase of 118 percent in other financing sources (transfers out) is a function of sweeping the general fund's positive unappropriated fund balance at the end of a biennium to the budget reserve fund, which fiscal year 2010 represents. As discussed previously, the legislature considers the general fund and budget reserve as a single 'pot of money' to appropriate, then provides authority to transfer funds from the budget reserve fund to the general fund as needed during the biennium, then to sweep any excess back to the budget reserve fund at the end of the biennium.

Transportation expenditures increased \$16 million or 15 percent. This percentage increase is attributable to the State increasing 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.'

<b>General Fund Expenditures and Other Financing Sources for Fiscal Year Ended June 30, 2010</b>				
	FY09	FY10	Increase (Decrease)	Percent Change
General Government	\$ 95,509,101	\$ 116,015,488	\$ 20,506,387	21%
Business Regulation	11,011,652	12,143,857	1,132,205	10%
Education	467,246,680	428,852,778	(38,393,902)	-8%
Health Services	79,166,669	778,653,669	(13,009,000)	-2%
Law, Justice and Safety	229,822,733	241,166,879	11,344,146	5%
Employment	48,189,292	53,876,429	5,687,137	12%
Recreation & Resource Development	328,346,073	337,848,222	9,502,149	3%
Social Services	144,460,753	134,208,672	(10,252,081)	-7%
Transportation	111,759,433	128,182,011	16,422,578	15%
<b>Total Expenditures</b>	<b>2,228,008,386</b>	<b>2,230,948,005</b>	<b>2,939,619</b>	<b>0%</b>
Other Financing Uses				
Transfers-Out	226,239,474	492,673,045	266,433,571	118%
<b>Total Expenditures &amp; Other Financing Uses</b>	<b>\$ 2,454,247,860</b>	<b>\$ 2,723,621,050</b>	<b>\$ 269,373,190</b>	<b>11%</b>

## 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, 2010, amounts to \$709 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:

- Completion of the new prison in Torrington for the Department of Corrections \$123.9 million.
- Purchase of buildings and property for state use --\$13.4 million.
- Construction on master plan of Wyoming Girls School-\$16.2 million.
- Construction on a Joint Labs Facility \$52.5 million.
- I-90 Welcome Center-\$6.5 million
- Game and Fish Headquarters \$7.6 million
- Military Headquarters \$45.4 million
- Worker's Compensation software system \$5.9 million

More detailed information about the State's incomplete construction in progress is presented in Note 12 to the basic financial statements, on page 92.

At the end of the fiscal year 2010, the State had invested \$824 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). The accumulated depreciation as of June 30, 2010, totaled \$408.5 million.

Capital Assets, Net of Depreciation for Fiscal Year Ended June 30, 2010							
	Governmental Activities		Business-Type Activities		2009	2010	
	Restated (Note 1(D))				Total Primary	Total Primary	
	2009	2010	2009	2010	Government	Government	
Land	\$ 57,416,073	\$ 56,592,849	\$ -	\$ -	\$ 57,416,073	\$ 56,592,849	
Intangibles - non depreciable	372,285	24,426,373	-	-	372,285	24,426,373	
Construction in progress	229,493,128	182,794,010	-	5,906,100	229,493,128	188,700,110	
Buildings and improvements	283,230,163	438,348,987	-	-	283,230,163	438,348,987	
Equipment, furniture, & fixtures	53,277,976	42,626,258	2,211,796	1,842,367	55,489,772	44,468,625	
Vehicles	20,349,641	20,173,892	9,357	2,245	20,358,998	20,176,137	
Infrastructure	24,939,504	24,228,899	-	-	24,939,504	24,228,899	
Intangibles - depreciable	2,386,769	26,668,800	-	326,612	2,386,769	26,995,412	
<b>Total</b>	<b>\$ 671,465,539</b>	<b>\$ 815,860,068</b>	<b>\$ 2,221,153</b>	<b>\$ 8,077,324</b>	<b>\$ 673,686,692</b>	<b>\$ 823,937,392</b>	

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, 2009 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 2009, 95.94% of all NHS bridges were rated acceptable or above and 93.6% 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 2009, the National Highway System streets rated 3.45 and the non-national highway system rated 3.15.

**Bonded debt.**

The state did not issue any new debt for fiscal year 2010 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 \$38.6 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 72-82 of this report.

## Economic Outlook and Condition

### National Economy

The national economy continues to experience a slow recovery, struggles to create jobs, and the housing sector with foreclosure issues continues to be a significant drag on the economy. Economists predict such conditions will continue to exist into 2011. The economy from January through May grew at roughly 3.5 percent. Economists projected economic growth for the rest of the year and into 2011 to less than 3 percent. Unemployment is projected to be no less than it is now. The November national unemployment rate was at 9.8 percent compared to 9.5 percent as of June 30, 2010. Interestingly, a majority of economists think it will be 2015 or later before the rate falls to a historically normal 5 percent. State budget shortfalls also pose a significant risk to the national economy. The loss of tax revenue has forced state and local governments to cut services and lay off workers. State and local governments cut their spending in the first three months of 2010 at a 3.8 percent pace. This represented the biggest cutback since the second quarter of 1981, just before the economy entered a severe recession. Despite such risks, 55 percent the economists surveyed indicated the recovery was 'on track' as of July 2010.

### Wyoming's Economy

Wyoming's economy also struggled with unemployment and declining commodity prices. Wyoming's unemployment rose slightly as of June 30, 2010 to 6.8 percent from 5.9 percent a year earlier. Declining commodity prices forced the Governor to initiate a budget reduction plan which resulted in the reversion of \$205 million in previously authorized appropriations.

It is no secret that Wyoming has the least diversified economy of the 50 states. Wyoming is dependent on the revenues and the employment from the extraction industry. This revenue drives the major state revenues of mineral severance taxes, interest from the Permanent Mineral Trust Fund, mining employment drives related sales and use tax collections, a gross products tax levied on mineral production and federal mineral royalties. These revenues continue 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.

A positive for Wyoming's economy is that Wyoming did show year over year employment gains for June in government, mining and natural resources, education and health, and manufacturing. In fact, a resurgent energy industry caused the CREG committee to project healthy increases in state revenues for the balance of the 2011-2012 biennium. An indicator of this resurgence is shown in stronger employment numbers for the oil and gas industry. At its peak in 2008 this sector employed over 20,000, but by August 2009 employment for this sector had dropped to 14,500, but by August 2010 this sector employment had rebounded to 16,400.

There is also earmarkings of a potential energy boom in Southeast Wyoming. New mining technology has provided some opportunity to access oil deposits in what is known as the Niobrara formation. But because of the nature of drilling for this resource, experts in the business are saying it will develop more slowly and its impact will be more gradual than other energy booms of Wyoming's energy development history.

- As of June 2010, Wyoming's unemployment rate was 6.8 percent while June 2009 was 5.9%. This compares favorably with the 9.5% rate for the United States in June of 2010.
- Wyoming's unemployment rate through October 2010 had fallen slightly to 6.7 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>.