

**WYOMING BUSINESS COUNCIL**

**A COMPONENT UNIT OF THE  
STATE OF WYOMING**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Wyoming Business Council  
Cheyenne, Wyoming

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wyoming Business Council (the "Council"), a component unit of the State of Wyoming, as of and for the year ended June 30, 2012, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Council as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 27 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mc Gee, Heurne & Paiz, LLP*

Cheyenne, Wyoming  
November 27, 2012

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Wyoming Business Council's annual report, a component unit of the State of Wyoming, presents our discussion and analysis of the Council's financial performance during the fiscal years that ended June 30, 2012 and 2011.

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## FINANCIAL HIGHLIGHTS

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### Government-Wide Financial Statements:

- The Council's assets exceeded its liabilities (net assets) as of June 30, 2012 by \$27.3 million, an increase of \$142,892 from the previous year.

### Governmental Fund Financial Statements:

- As of June 30, 2012, the Council's governmental funds reported combined fund balances of \$27.0 million, an increase of \$156,451 from the previous year.
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## OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's annual report consists of four components in accordance with required reporting standards: 1) management's discussion and analysis (this section), 2) government-wide financial statements, 3) governmental fund financial statements, and 4) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide short-term and long-term information about the overall financial position and activities of the Council, in a manner similar to a private-sector business. The government-wide financial statements consist of the statement of net assets and statement of activities.

The *statement of net assets* reports all assets held and liabilities owed by the Council. Assets are reported when acquired and liabilities when incurred. The difference between the Council's total assets and total liabilities is its *net assets*, which is similar to the owner's equity presented by a private-sector business.

The *statement of activities* reports all of the revenues and expenses of the Council. Revenues are recognized when earned and expenses are reported when incurred. The statement identifies the extent to which each function of the Council draws from general revenues or is self-sufficient through fees, intergovernmental aid, and other sources of revenues.

The Council's government-wide financial statements are presented on pages 9 and 10.

## **Governmental Fund Financial Statements**

The governmental fund financial statements provide more detailed information about the Council's funds. A fund is a separate accounting entity used to keep track of specific sources of funding and spending. Except for the general fund, the Council uses specific funds that have been established to satisfy legal requirements established by external parties or governmental statutes or regulations.

The governmental fund financial statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. The governmental fund financial statements focus on information about the Council's short-term inflows, outflows, and balances of spendable resources. The governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

The *balance sheet* reports information about the Council's current financial resources, which are its assets, liabilities and fund balances. *Assets* reported are amounts on hand at the end of the fiscal year, such as cash, and amounts for receivables that are collectible within a short period of time after the end of the fiscal year. *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 total liabilities is its *fund balance*. The fund balance generally indicates the amount available to finance next year's activities. Because the focus of this report is on current, rather than long-term information, we provide an analysis that reconciles the governmental funds balance sheet to the government-wide statement of net assets.

The *statement of revenues, expenditures and changes in fund balances* reports information about the Council's inflows, outflows, and balances of current financial resources for each of its major governmental funds and for its non-major governmental funds in the aggregate. Amounts reported are *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. Because this report excludes long-term information, we provide an analysis that reconciles the governmental funds statement of revenues, expenditures and changes in fund balances to the government-wide statement of activities.

The Council's governmental fund financial statements are presented on pages 11 through 14.

## **Notes to Financial Statements**

The notes to financial statements provide additional information that is essential to a full understanding of data provided in the government-wide and fund statements. The notes are presented on pages 15 through 26.

## **Required Supplementary Information**

The required supplementary information presents budgetary comparison schedules for the Council's general fund and each of its major governmental funds. The schedule presents the Council's original and final appropriated budgets for the reporting period as well as its actual inflows and outflows of financial resources. The required supplementary information is presented on pages 27 through 31.

## **Combining Funds Statements**

The combining funds statements provide information for non-major governmental funds and are presented immediately following the required supplementary information. Combining funds statements are presented on pages 32 and 33.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Financial Position

The Council's net assets may provide a useful indicator of its financial position. At the end of the current fiscal year, its assets exceeded liabilities by \$27.3 million, which represents an investment of \$366,911 in capital assets, \$24.1 million in restricted net assets (economic development, rural rehabilitation, business ready communities, technology development, and residential relending), and \$2.9 million in unrestricted net assets. The unrestricted net assets may be used to meet the Council's ongoing obligations.

The Council's net assets increased \$142,892 during the current fiscal year which can be primarily attributed to an increase in restricted net assets.

The following condensed statement of net assets presents the Council's financial position for the past two years:

#### STATEMENT OF NET ASSETS - CONDENSED

	2012	2011
<b>ASSETS</b>		
Current assets	\$ 37,591,687	\$ 37,366,993
Noncurrent assets:		
Loans receivable	5,110,110	6,179,855
Capital assets	420,221	386,975
<b>Total assets</b>	<b>\$ 43,122,018</b>	<b>\$ 43,933,823</b>
<b>LIABILITIES</b>		
Current liabilities	\$ 15,788,685	\$ 16,723,765
Noncurrent liabilities	33,694	53,311
<b>Total liabilities</b>	<b>\$ 15,822,379</b>	<b>\$ 16,777,076</b>
<b>NET ASSETS</b>		
Invested in capital assets	\$ 366,911	\$ 316,046
Restricted for economic development	18,825,359	17,987,269
Restricted for rural rehabilitation	4,315,007	4,161,569
Restricted for business ready communities	343,765	1,019,842
Restricted for technology development	485,374	462,793
Restricted for residential relending	100,000	-
Unrestricted	2,863,223	3,209,228
<b>Total net assets</b>	<b>\$ 27,299,639</b>	<b>\$ 27,156,747</b>

### Results of Operations

Revenues exceeded expenses and transfers by \$142,892 during the current fiscal year. The primary reason is due to \$100,000 of federal grant revenues received in the current fiscal year to fund a loan for the residential relending program.

The following condensed statement of activities presents the Council’s results of operations for the past two years:

**STATEMENT OF ACTIVITIES - CONDENSED**

	2012	2011
<b>REVENUES</b>		
Program revenues	\$ 20,500,691	\$ 18,272,948
General revenues	32,422,195	61,910,782
<b>Total revenues</b>	<b>52,922,886</b>	<b>80,183,730</b>
<b>EXPENSES</b>		
Administration	1,869,918	1,821,790
Agribusiness	1,100,224	982,872
Business and industry	20,052,249	20,883,272
Regional offices	1,175,898	1,072,741
Investment ready communities	27,461,918	55,285,097
Rural development and Mainstreet	1,119,787	1,307,772
Return of funds to primary government	-	1,158,676
<b>Total expenses</b>	<b>52,779,994</b>	<b>82,512,220</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 142,892</b>	<b>\$ (2,328,490)</b>

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The Council’s activities are reflected in its general, economic development, American Recovery and Reinvestment, rural rehabilitation, and other governmental funds. The focus of these governmental funds is to provide information about the Council’s short-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Council’s net resources available for spending at the end of the fiscal year.

**Balance Sheet**

As of June 30, 2012, the Council’s governmental funds reported combined ending fund balances of \$27.0 million, an increase of \$156,451 from the previous year.

Of the major funds, the general fund is the main operating fund of the Council. At the end of the current fiscal year, the total fund balance was \$2.7 million which is unavailable for current use (unspendable) because it is associated with a long-term receivable (loans receivable).

The fund balance of the economic development fund increased \$838,090 primarily due to investment income earned during the current fiscal year.

The total fund balance at the end of the current fiscal year for the American Recovery and Reinvestment fund balance was \$100,000 which is unavailable for current use (unspendable) because it is associated with a long-term receivable (loans receivable).

The fund balance of the rural rehabilitation fund increased \$153,438 primarily due to investment income earned during the current fiscal year.

The fund balances of the Council’s other governmental funds decreased \$649,604 primarily due to current year expenditure of state government revenues received but not spent in previous fiscal years.



## Revenues and Expenditures

The following schedule presents current fiscal year revenues and expenditures compared to the prior year:

### SCHEDULE OF REVENUES AND EXPENDITURES GOVERNMENTAL FUNDS

	2012		2011		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	%
<b>REVENUES</b>						
Revenue from primary government	\$ 31,267,231	59.08%	\$ 60,751,450	75.76%	\$ (29,484,219)	-48.53%
Federal revenue	20,022,330	37.83%	17,959,209	22.40%	2,063,121	11.49%
Investment income	1,179,233	2.23%	1,185,135	1.48%	(5,902)	-0.50%
Revenue from others	186,613	0.35%	238,067	0.30%	(51,454)	-21.61%
Charges for sales and services	267,479	0.51%	51,813	0.06%	215,666	416.24%
<b>Total revenues</b>	<b>\$ 52,922,886</b>	<b>100.00%</b>	<b>\$ 80,185,674</b>	<b>100.00%</b>	<b>\$ (27,262,788)</b>	<b>-34.00%</b>
<b>EXPENDITURES</b>						
Administration	\$ 1,851,608	3.52%	\$ 2,068,649	2.50%	\$ (217,041)	-10.49%
Agribusiness	1,157,474	2.20%	988,805	1.20%	168,669	17.06%
Business and industry	20,061,362	37.85%	20,872,317	25.23%	(810,955)	-3.89%
Regional offices	1,143,329	2.17%	1,062,450	1.28%	80,879	7.61%
Investment ready communities	27,446,307	52.17%	55,275,138	66.82%	(27,828,831)	-50.35%
Rural development and Mainstreet	1,106,355	2.08%	1,302,461	1.57%	(196,106)	-15.06%
Return of funds to primary government	-	0.00%	1,158,676	1.40%	(1,158,676)	-100.00%
<b>Total expenditures</b>	<b>\$ 52,766,435</b>	<b>100.00%</b>	<b>\$ 82,728,496</b>	<b>100.00%</b>	<b>\$ (29,962,061)</b>	<b>-36.22%</b>

Revenues for governmental activities were \$52.9 million for fiscal year 2012, a decrease of 34% from the previous year. Revenues from primary government decreased 48.53% from the previous fiscal year primarily due to general funds received in the prior year for a one-time supercomputer center project in Southeast Wyoming and due to a decrease in revenues for state-funded grant programs. Federal revenues increased \$2.06 million primarily due to an increase in revenues received for American Recovery and Reinvestment programs funded by the U.S. Department of Energy.

Expenditures for governmental activities were \$52.7 million for the current fiscal year, a decrease of 36.22% from fiscal year 2011. This decrease is primarily due to a one-time expenditure made in the previous year for the supercomputer center project and a decrease in expenditures for grant programs funded by state government revenues.

## CAPITAL ASSETS ACTIVITY

The Council's investment in capital assets for its governmental activities as of June 30, 2012 amounted to \$420,221, net of accumulated depreciation of \$461,973. This investment in capital assets includes construction in progress, a building, leasehold improvements, capitalized leases for equipment, furniture, fixtures and equipment, and intangible assets. At the end of the fiscal year, the Council had outstanding capital leases payable on equipment totaling \$53,310. The \$33,246 increase in net capital assets from the previous year is due to \$129,942 of current year additions, net of \$96,696 in depreciation expense.

The following is a schedule of capital assets for the past two years:

**SCHEDULE OF CAPITAL ASSETS  
(net of depreciation)**

	2012	2011
Construction in progress	\$ 67,964	\$ 13,900
Buildings	42,336	-
Capitalized leases	49,296	62,478
Furniture, fixtures and equipment	58,672	52,974
Intangible assets	201,953	257,623
<b>Total</b>	<b>\$ 420,221</b>	<b>\$ 386,975</b>

**BUDGETARY HIGHLIGHTS**

For the current fiscal year, the Council's general fund budget was revised primarily for net appropriations carried over from the previous fiscal year.

Budgeted expenditures for the economic development fund were primarily revised to carry over appropriations from a previous fiscal year.

Budgeted revenues and expenditures for the American Recovery and Reinvestment Fund were revised to carry over federal funds awarded to the Council in a previous fiscal year under the American Recovery and Reinvestment Act of 2009.

Budgeted expenditures for the rural rehabilitation fund and business ready communities fund were increased to cover estimated expenditures during the current biennium.

**FINANCIAL IMPACTS**

The Governor directed each state agency to prepare 8% standard budget reduction plans for the 2014 fiscal year to address anticipated decreases in state revenues due to declines in natural gas prices. If the proposed budget reductions are fully implemented, the Council's budget would be reduced by \$3.15 million which it would spread over its 2013 and 2014 fiscal years. Additionally, if state revenues remain depressed, the Council's budget for the 2015-2016 biennium could be further reduced.

**REQUESTS FOR INFORMATION**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Wyoming Business Council, 214 West 15<sup>th</sup> Street, Cheyenne, WY 82002.

WYOMING BUSINESS COUNCIL

STATEMENT OF NET ASSETS

JUNE 30, 2012

**ASSETS**

Current Assets	
Deposits with State Treasurer	\$ 26,585,310
Deposits in bank	33,689
Accounts receivable	1,832,113
Interest receivable	190,707
Due from primary government	2,238,325
Due from Federal government	5,691,406
Loans receivable, net	1,020,137
<b>Total current assets</b>	<u>37,591,687</u>

Noncurrent Assets	
Loans receivable, net	5,110,110
Capital assets not being depreciated:	
Construction in progress	67,964
Capital assets, net of accumulated depreciation:	
Buildings	42,336
Capitalized leases	49,296
Furniture, fixtures and equipment	58,672
Intangibles	201,953
<b>Total noncurrent assets</b>	<u>5,530,331</u>

**Total assets** 43,122,018

**LIABILITIES**

Current Liabilities	
Accounts payable	9,714,295
Due to primary government	5,982,771
Accrued payroll	5,337
Compensated absences payable	64,758
Capital leases payable	19,616
Deposits	1,358
Deferred revenue	550
<b>Total current liabilities</b>	<u>15,788,685</u>

Noncurrent Liabilities	
Capital leases payable	33,694
<b>Total liabilities</b>	<u>15,822,379</u>

**NET ASSETS**

Invested in capital assets, net of related capital leases payable	366,911
Restricted for economic development	18,825,359
Restricted for rural rehabilitation	4,315,007
Restricted for business ready communities	343,765
Restricted for technology development	485,374
Restricted for residential relending	100,000
Unrestricted	2,863,223
<b>Total net assets</b>	<u>\$ 27,299,639</u>

See Notes to Financial Statements.

**WYOMING BUSINESS COUNCIL**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FUNCTIONS/PROGRAMS</b>	Expenses	Program Revenues		Net (Expenses)
		Charges for Sales and Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
<b>Governmental Activities</b>				
Administration	\$ 1,869,918	\$ 9,012	\$ -	\$ (1,860,906)
Agribusiness	1,100,224	13,622	45,622	(1,040,980)
Business and industry	20,052,249	195,380	15,314,154	(4,542,715)
Regional offices	1,175,898	-	-	(1,175,898)
Investment ready communities	27,461,918	-	4,515,307	(22,946,611)
Rural development and Mainstreet	1,119,787	49,465	358,129	(712,193)
<b>Total</b>	<b>\$ 52,779,994</b>	<b>\$ 267,479</b>	<b>\$ 20,233,212</b>	<b>(32,279,303)</b>
<b>General Revenues</b>				
Appropriation from primary government				31,267,231
Investment income				968,351
Other				186,613
<b>Total general revenues</b>				<b>32,422,195</b>
<b>Change in net assets</b>				<b>142,892</b>
Net Assets, beginning				27,156,747
Net Assets, ending				<b>\$ 27,299,639</b>

See Notes to Financial Statements.

**WYOMING BUSINESS COUNCIL**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Economic Development Fund	American Recovery and Reinvestment Fund	Rural Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Deposits with State Treasurer	\$ 4,438,247	\$ 16,425,660	\$ -	\$ 4,588,855	\$ 1,132,548	\$ 26,585,310
Deposits in bank	1,016	-	-	-	32,673	33,689
Accounts receivable	62,096	1,311,462	-	366,365	92,190	1,832,113
Interest receivable	27,937	135,565	145	23,187	3,873	190,707
Due from primary government	180,083	-	2,058,242	-	-	2,238,325
Due from Federal government	1,154,075	-	4,537,331	-	-	5,691,406
Loans receivable, net	2,688,942	3,341,305	100,000	-	-	6,130,247
<b>Total assets</b>	<b>\$ 8,552,396</b>	<b>\$ 21,213,992</b>	<b>\$ 6,695,718</b>	<b>\$ 4,978,407</b>	<b>\$ 1,261,284</b>	<b>\$ 42,701,797</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 4,436,777	\$ 2,385,385	\$ 2,058,029	\$ 663,400	\$ 170,704	\$ 9,714,295
Due to primary government	1,419,098	3,248	4,537,689	-	22,736	5,982,771
Accrued payroll	5,337	-	-	-	-	5,337
Compensated absences payable	334	-	-	-	-	334
Deposits	1,358	-	-	-	-	1,358
Deferred revenue	550	-	-	-	-	550
<b>Total liabilities</b>	<b>5,863,454</b>	<b>2,388,633</b>	<b>6,595,718</b>	<b>663,400</b>	<b>193,440</b>	<b>15,704,645</b>
Fund Balances						
Unspendable						
Loans receivable	2,688,942	3,341,305	100,000	-	-	6,130,247
Restricted						
General	-	-	-	4,315,007	-	4,315,007
Committed						
General	-	15,484,054	-	-	343,765	15,827,819
Assigned						
General	-	-	-	-	724,079	724,079
<b>Total fund balances</b>	<b>2,688,942</b>	<b>18,825,359</b>	<b>100,000</b>	<b>4,315,007</b>	<b>1,067,844</b>	<b>26,997,152</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,552,396</b>	<b>\$ 21,213,992</b>	<b>\$ 6,695,718</b>	<b>\$ 4,978,407</b>	<b>\$ 1,261,284</b>	<b>\$ 42,701,797</b>

See Notes to Financial Statements.

WYOMING BUSINESS COUNCIL

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

**Total fund balances - governmental funds** \$ 26,997,152

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, not reported in the governmental funds.  
When capital assets that are used in governmental activities are  
purchased or constructed, the cost of those assets are reported as  
expenditures in governmental funds. These assets consist of:

Construction in progress	\$ 67,964	
Buildings	43,900	
Leasehold improvements	12,626	
Capitalized leases, net of related capital leases payable	38,963	
Furniture, fixtures and equipment	390,324	
Intangibles	275,107	
Accumulated depreciation	(461,973)	
<b>Total capital assets, net of capital leases payable</b>		<u>366,911</u>

Certain liabilities that are not due and payable with current resources and  
are therefore not reported in the governmental funds (64,424)

**Net assets of governmental activities** \$ 27,299,639

See Notes to Financial Statements.

**WYOMING BUSINESS COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Economic Development Fund	American Recovery and Reinvestment Fund	Rural Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenue from primary government	\$ 31,267,231	\$ -	\$ -	\$ -	\$ -	\$ 31,267,231
Federal revenue	4,645,155	-	15,377,175	-	-	20,022,330
Investment income	45,258	678,743	145	145,118	24,358	893,622
Net increase in the fair market value of investments	-	220,956	-	55,577	9,078	285,611
Revenue from others	186,394	219	-	-	-	186,613
Charges for sales and services	246,747	4,350	-	-	16,382	267,479
<b>Total revenues</b>	<b>36,390,785</b>	<b>904,268</b>	<b>15,377,320</b>	<b>200,695</b>	<b>49,818</b>	<b>52,922,886</b>
<b>EXPENDITURES</b>						
Administration	1,835,499	-	-	-	16,109	1,851,608
Agribusiness	1,110,217	-	-	47,257	-	1,157,474
Business and industry	5,156,515	66,178	14,823,325	-	15,344	20,061,362
Regional offices	1,143,329	-	-	-	-	1,143,329
Investment ready communities	26,670,023	-	100,207	-	676,077	27,446,307
Rural development and Mainstreet	752,567	-	353,788	-	-	1,106,355
<b>Total expenditures</b>	<b>36,668,150</b>	<b>66,178</b>	<b>15,277,320</b>	<b>47,257</b>	<b>707,530</b>	<b>52,766,435</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(277,365)</b>	<b>838,090</b>	<b>100,000</b>	<b>153,438</b>	<b>(657,712)</b>	<b>156,451</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	8,108	8,108
Transfers out	(8,108)	-	-	-	-	(8,108)
<b>Total other financing sources (uses)</b>	<b>(8,108)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,108</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(285,473)</b>	<b>838,090</b>	<b>100,000</b>	<b>153,438</b>	<b>(649,604)</b>	<b>156,451</b>
Fund balances, beginning	2,974,415	17,987,269	-	4,161,569	1,717,448	26,840,701
Fund balances, ending	<b>\$ 2,688,942</b>	<b>\$ 18,825,359</b>	<b>\$ 100,000</b>	<b>\$ 4,315,007</b>	<b>\$ 1,067,844</b>	<b>\$ 26,997,152</b>

See Notes to Financial Statements.

**WYOMING BUSINESS COUNCIL**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Net change in fund balances - total governmental funds</b>	\$	156,451
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay	\$	129,942
Depreciation expense	<u>(96,696)</u>	33,246
<p>Principal payments on capital lease obligations is an expenditure in governmental funds, but the repayment is a reduction of long term liabilities in the statement of net assets</p>		
		17,619
<p>Certain expenses reported in the statement of activities that do not require the use of current financial resources and are therefore not recorded as expenditures in the governmental funds</p>		
		<u>(64,424)</u>
<b>Change in net assets of governmental activities</b>	<u>\$</u>	<u>142,892</u>

See Notes to Financial Statements.



# WYOMING BUSINESS COUNCIL

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of presentation

The accompanying financial statements of the Wyoming Business Council (the "Council") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The basic financial statements include both government-wide financial statements based on the Council as a whole and fund financial statements.

#### B. Financial reporting entity

The Council was created in 1998 by the Wyoming Economic Development Act. The Council has been charged by State statutes to encourage, stimulate and support the development and expansion of the economy of the State and is operated for the benefit of the public. It is governed by a Board of Directors, consisting of fifteen voting members appointed by the Governor with the advice and consent of the State Senate. The Council is a component unit of the State of Wyoming.

On July 1, 1998, the Council assumed the functions, programs and authority of the Economic Development and Stabilization Board, the Science Technology and Energy Authority, the Wyoming Travel Commission, the Investment Fund Committee, the Small Business Development Center Advisory Board, the Mid-American Manufacturing Technology Center Industrial Advisory Board and Partner Steering Committee, the Department of Agriculture Promotion and Marketing Division, the Department of Commerce Division of Economic and Community Development and Division of Tourism and State Marketing. The Council is also charged with administering the Wyoming Partnership Challenge Loan Program.

On February 21, 2001, the Council established Wyoming Economic and Workforce Development, Inc. (the "WEWD"), a 501(c)(3) corporation. The WEWD was formed to support the Council's economic development, expansion and workforce training efforts in the State of Wyoming by soliciting funds through a combination of fees, private contributions and grants. It began operations in fiscal year 2002 and is presented herein as a blended component unit. The financial information of the WEWD is presented as the Economic and Workforce Development Fund in the other governmental funds' column of the balance sheet and statement of revenues, expenditures and changes in fund balance.

#### C. Government-wide financial statements

The statement of net assets and statement of activities display information about the Council as a whole. Eliminations have been made to minimize the double counting of internal activities.

The statement of net assets reports all of the Council's financial and capital resources. Assets and liabilities are presented in order of their relative liquidity. An asset's liquidity is determined by how readily it is expected to be converted to cash and whether restrictions limit the Council's ability to use the resource. A liability's liquidity is based on its maturity, or when cash is expected to be used to liquidate it. The difference between total assets and total liabilities show the Council's net assets. Net assets are reported as restricted when constraints are placed on their use by creditors, grantors, or laws or regulations of other governments.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues are presented as general revenues.

## WYOMING BUSINESS COUNCIL

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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#### **D. Fund financial statements**

The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Council reports the following major governmental funds:

*General Fund* – the Council's primary operating fund. It accounts for all of the Council's financial resources except those accounted for in another fund. Revenues consist primarily of State and Federal funding.

*Economic Development Fund* – used to account for economic development efforts of the Council; primarily, the activities of the following loan portfolios: Challenge loans, Economic disaster loans, Bridge loans, Mainstreet loans, and Amendment IV loans. Revenues consist primarily of interest income.

*American Recovery and Reinvestment Fund* – used to account for Federal funds awarded to the Council under the American Recovery and Reinvestment Act of 2009.

*Rural Rehabilitation Fund* – used to account for the operations of the rural rehabilitation program that is administered in accordance with the terms of an agreement with the U.S. Farmers Home Administration. Revenues consist primarily of interest income.

#### **E. Basis of accounting**

*Government-wide fund financial statements* – The government-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: 1) charges paid by the recipients of goods or services offered by the programs, and 2) grants and contributions, including interest on loans, which are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all appropriations from the primary government, are presented instead as general revenues.

*Governmental fund financial statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures.

The Council reports deferred revenue on its statement of net assets and governmental fund balance sheet. Deferred revenues for governmental fund reporting purposes arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Council before it has legal claim to them, as when grant funds are received prior to the occurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Council has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**WYOMING BUSINESS COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**F. Budgets**

Wyoming Statutes require the Council to prepare and submit a biennial budget to the Governor for presentation to the Legislature each odd-numbered year prior to the beginning of the Legislative session. The Legislature may add, change, or delete any items in the budget proposed by the Governor. Supplemental appropriations may be approved by the Legislature in even numbered years.

The Legislature appropriates substantially cash basis budgets for programs within an agency. The State's legal level of budgetary control is at the program level and the Governor must approve all changes in appropriations at the program level. Some appropriations lapse at the end of each biennium.

Legislative appropriation, as amended, for the period July 1, 2010 through June 30, 2012	\$153,064,872
Actual expenditures (non-GAAP budgetary basis) for the period July 1, 2010 through June 30, 2012	\$108,880,997

**G. Deposits with State Treasurer**

The general fund of the Council primarily operates out of an appropriation from the Wyoming State Legislature, which has been established with the Wyoming State Auditor's office. Cash is available from this appropriation to fund expenditures as they are incurred by the Council. As such, the cash balance within the general fund is assumed to be the amounts of accounts payable and certain accrued expenses within the fund, net of certain assets.

The Council's cash is pooled with other State agencies in an account managed by the Wyoming State Treasurer. The account is reported at the fair-market value of the securities underlying the investment pool. Earnings from the investment pool are credited by the State Treasurer to the Council monthly, utilizing a formula based on the average daily balance, to the applicable accounts and funds.

**H. Receivables**

Receivables consist primarily of amounts due from the Federal Government and other governmental entities, including the State. Management believes no allowance for uncollectible amounts is necessary based on the nature of these receivables and past experience.

**I. Prepays**

Prepayments are recorded using the purchases method in which the entire amount of the prepayment is recorded as an expenditure in the period that the payment is made.

**J. Loans and allowance for loan losses**

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Delinquent status is considered to be 10 days after the payment due date. In all cases, loans are placed on nonaccrual status at an earlier date if collection of principal or interest in full is not expected.

The interest on nonaccrual loans is accounted for on the cash-basis until the loan qualifies for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured, or the loan is well-secured and in the process of collection.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

It is the policy of the Council to charge off those loans in which collectability is sufficiently questionable as to no longer justify showing the loan as an asset in the financial statements. The charge off of any loan must be approved by the Board of Directors.

The allowance for loan losses is established through a provision for loan losses charged to expense. Recoveries of amounts previously charged off are credited to the allowance. The amount of provision is based on management's evaluation of the loan portfolio, including assessment of the likelihood of reimbursement on defaulted loans.

**K. Capital assets**

Capital assets are stated at cost in the government-wide financial statements. The Council's capitalization level for all capital assets is \$5,000. Depreciation on capital assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	25
Leasehold improvements	Life of the lease
Furniture, fixtures and equipment	3-14
Intangible assets	3-5

Capital assets are accounted for as expenditures in the governmental fund financial statements. Costs for repairs and maintenance are expensed as incurred.

The intangible assets of the Council at June 30, 2012 are computer software and website development costs, which were capitalized in accordance with GASB 51, *Accounting and Financial Reporting for Intangible Assets*. A capital asset is classified as intangible if: 1) it lacks physical substance, 2) it is not in a monetary form similar to cash or investment securities, does not represent a claim or right to assets in a monetary form similar to receivables, and is not a prepayment for goods or services, and 3) it has an initial useful life that extends beyond a single reporting period.

**L. Compensated absences**

Employees of the Council earn vacation leave based on their level of responsibility and number of years of service; leave not used at the end of the vacation accrual year does not vest. Prior to June 30, 2012, vacation leave was accrued annually from July 1 to June 30 of each year; as of June 30, 2012, the policy was changed to accrue vacation from October 1 to September 30 and a one-time extension through September 30, 2012 was granted for any unused accrued vacation as of June 30, 2012. Accumulated leave that is expected to be liquidated with expendable available financial resources (i.e. pending payouts of unused leave owed to employees who left active service by the end of the fiscal period) is reported as an expenditure and a liability in the governmental funds financial statements. All accumulated leave is reported as an expenditure and a liability in the government-wide financial statements.

**M. Grants payable**

In certain cases where grantees incur qualified reimbursable expenditures on a grant prior to year end, but have not yet invoiced the Council for these amounts, the Council estimates the amount due to the grantee at year end based on the percentage completion of the project. The estimated percentage of completion is multiplied by the total grant amount, and then previous and accrued payments to the grantee are subtracted. The corresponding result is recorded as accounts payable in the financial statements as of June 30, 2012.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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**N. Fund balances**

The Council has implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which classifies fund balances based on spending constraints that control how resources may be used. Following are the classifications of fund balance:

*Nonspendable* – amounts that are not available for current use, such as fund balance associated with inventories and long-term receivables.

*Restricted* – amounts constrained for a specific purpose through restrictions of external parties such as a creditor, grantor, donor, or other governmental unit (e.g. Federal government), or by constitutional provision.

*Committed* – amounts constrained for specific purposes imposed by formal action of the reporting governmental entity's highest level of decision-making authority.

*Assigned* – amounts that the reporting governmental entity intends to use for a specific purpose as expressed by a party delegated the authority by the highest level of decision-making authority.

*Unassigned* – amounts not reported in the other classifications. Only the general fund can report a positive unassigned fund balance; other governmental funds might report a negative amount in this classification.

**O. Interfund transactions**

Interfund transactions are reflected either as services provided, reimbursements or transfers. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are eliminated in the statement of activities.

**P. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Q. Recent pronouncements**

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for most government pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 68 is effective for years beginning after June 15, 2014 with the effects of changes made to comply with this statement reported as adjustments to prior periods. The effect that the adoption of GASB Statement No. 68 will have on the Council's financial statements has not been determined.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**Note 2. DEPOSITS WITH STATE TREASURER**

The Master Investment Policy (Policy) sets forth a ‘road map’ on how the investment program should be run. The Policy spells out what can and cannot be done, roles and responsibilities, acceptable transactions, prohibited transactions and performance expectations on its managed funds. State statutes, as incorporated into the Policy, authorize the State to invest in securities issued or guaranteed by the U.S. Treasury or agencies of the United States government; bonds issued by Wyoming agencies or political subdivisions; corporate notes, bonds, and debentures; commercial paper; banker’s acceptances; loans specifically identified by statutes; and other securities specifically authorized by the legislature. The State Loan Investment Board (Board) reviews the Policy annually. This Board is comprised of the State’s five elected officials.

Those managing the State’s investment program are governed in part by the prudent investor rule contained in the State’s Uniform Prudent Investor Advisor Act. This rule states in part:

*“[a] Trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust.”*

The Policy further states investments or groups of investments shall not be evaluated in isolation but in the context of the entire investment portfolio and as part of an overall investment strategy of the trust or fund from which the investment is derived, consistent with the policies for such trust or fund established under statute by the Board.

State statutes were revised to allow monies in the permanent funds to be invested in common stock of United States Corporations not to exceed fifty-five percent (55%) of the State’s cash balance. It is a primary goal of the State’s Master Investment Policy to obtain an optimal asset allocation for Wyoming’s investments to take full advantage of this new authority. This includes determining the optimal division of an investment portfolio among available asset classes, factoring in such elements as risk and return as central to the overall financial planning and investment management. Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations.

The State of Wyoming’s permanent funds are not registered with the SEC as an investment company.

The Council investments held by the State Treasurer’s Office at June 30, 2012 is presented as follows:

	Fair Value	Percentage
Investment Type:		
Fixed income investments	\$ 19,106,863	71.87%
Equity investments	5,338,330	20.08%
Alternative investments	2,169,361	8.16%
Total currency fund	(29,244)	-0.11%
<b>Total investments</b>	<b>\$ 26,585,310</b>	<b>100.00%</b>

The State of Wyoming’s investment pool is subject to the following risks.

**Interest rate risk:** Interest rate risk is the exposure that the fair value of the State’s fixed-income investments fluctuate in response to changes in market interest rates. An element of interest rate risk are those securities which are ‘highly sensitive’ to changes in interest rates. The State has no formal policy with respect to managing interest rate risk within its Master Investment Policy; however, the Policy does provide guidance relative to safety, liquidity and yield using the following criteria:

- Funds are analyzed by asset class including cash to determine if securities need to be purchased or sold.
- Future needs are determined and current positions are reviewed.

**WYOMING BUSINESS COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

- Economic, market and interest rate assumptions are considered.
- Securities are selected based on market value, price and availability.
- Trades are executed to raise cash, to shift maturity, to change asset mix, to enhance yield and to improve quality.

Credit risk: Credit risk is the risk the issuer will not fulfill its obligation to the holder of the investment. The minimum credit ratings for investment debt securities as provided in the State's Master Investment Policy for fixed income managers are A1/P1 or equivalent for commercial paper, BAA for long-term corporate debt, AA for mortgage-backed securities, and AA for asset-backed securities. Either Standard and Poor's, Fitch or Moody's ratings are acceptable. Where the issue is split-rated, the lower of the ratings will apply. Legislatively authorized investments represent those investments the Treasurer has been directed to invest in by the Legislature and/or approved by the Legislature.

Foreign currency risk: Foreign currency risk is that changes in foreign exchange rates will adversely affect the fair value of an investment. This risk disclosure applies only to investments that are denominated in foreign currencies. The State's Master Investment Policy does not provide a policy for foreign currency diversification.

Custodial credit risk: The State does not have any custodial credit risk exposure.

Concentration of credit risk: The Wyoming State Treasurer's fixed income portfolio contains fixed income securities in government agency securities such as Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Home Loan Bank (FHLB). These agency securities hold a rating of AAA. While the State's Master Investment Policy sets limits for concentration of investments, it provides that U.S. agency bonds are eligible without limitation.

**Note 3. LOANS RECEIVABLE**

Interest rates on accrual loans vary from 1.0% to 4.5% and have varying maturity dates through 2022; collateral includes personal guarantees, mortgages on real estate, and liens on receivables, inventory, furniture, equipment and crops. At June 30, 2012, loans receivable included outstanding loans to two major loan customers totaling \$2,582,069, which comprised 39% of gross loans receivable as of that date. There were four loans totaling \$173,109 charged off during the year ended June 30, 2012.

Loans receivable as of June 30, 2012 are as follows:

	<u>Loan Type</u>	<u>Gross Balance</u>	<u>Allowance</u>	<u>Net Balance</u>
General Fund	Mainstreet	\$ 106,873	\$ -	\$ 106,873
General Fund	Business Ready Community	2,582,069	-	2,582,069
Economic Development Fund	Amendment IV	480,207	203,000	277,207
Economic Development Fund	Challenge	253,466	40,988	212,478
Economic Development Fund	Economic disaster	1,100,271	113,284	986,987
Economic Development Fund	Bridge	1,925,154	94,497	1,830,657
Economic Development Fund	Mainstreet	33,976	-	33,976
American Recovery and Reinvestment Fund	Residential Relending	<u>100,000</u>	<u>-</u>	<u>100,000</u>
		<u>\$ 6,582,016</u>	<u>\$ 451,769</u>	<u>\$ 6,130,247</u>

**WYOMING BUSINESS COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 4. CAPITAL ASSETS**

Capital asset activity in the government-wide financial statements for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 13,900	\$ 54,064	\$ -	\$ 67,964
Capital assets being depreciated:				
Buildings	-	43,900	-	43,900
Leasehold improvements	12,626	-	-	12,626
Capitalized leases – equipment	92,273	-	-	92,273
Furniture, fixtures and equipment	365,250	31,978	(6,904)	390,324
Intangible assets	<u>275,107</u>	<u>-</u>	<u>-</u>	<u>275,107</u>
Total capital assets being depreciated	<u>745,256</u>	<u>75,878</u>	<u>(6,904)</u>	<u>814,230</u>
Less accumulated depreciation:				
Buildings	-	(1,564)	-	(1,564)
Leasehold improvements	(12,626)	-	-	(12,626)
Capitalized leases – equipment	(29,795)	(13,182)	-	(42,977)
Furniture, fixtures and equipment	(312,276)	(26,280)	6,904	(331,652)
Intangible assets	<u>(17,484)</u>	<u>(55,670)</u>	<u>-</u>	<u>(73,154)</u>
Total accumulated depreciation	<u>(372,181)</u>	<u>(96,696)</u>	<u>6,904</u>	<u>(461,973)</u>
Capital assets, net	<u>\$ 386,975</u>	<u>\$ 33,246</u>	<u>\$ -</u>	<u>\$ 420,221</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 33,017
Agribusiness	11,321
Business and industry	18,868
Regional offices	14,622
Investment ready communities	11,321
Rural development and Mainstreet	<u>7,547</u>
	<u>\$ 96,696</u>



WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

**Note 5. LEASE OBLIGATIONS**

The Council has entered into various lease agreements for office space and equipment which have been accounted for as either operating leases or capital leases. The lease terms vary in range, extending through July 2015.

Operating leases: Expenditures on operating leases are recognized as incurred. Total rent expense for these operating leases for the year ended June 30, 2012 was \$179,316. Future minimum lease payments for operating leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2013	\$144,525
2014	130,094
2015	<u>1,693</u>
Total minimum payments	<u>\$276,312</u>

Capital leases: The gross amount of assets recorded under capital leases as of June 30, 2012 was \$92,273 with accumulated depreciation of \$42,977. Future minimum lease payments for capital leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2013	\$ 24,437
2014	24,437
2015	<u>12,219</u>
Total minimum payments	61,093
Less: interest	<u>(7,783)</u>
Present value of lease payments	<u>\$ 53,310</u>

**Note 6. PENSION AND RETIREMENT PLANS**

**Wyoming Retirement System** – All full-time or regular part-time employees of the Council participate in the Wyoming Retirement System (WRS). The plan allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The plan provides retirement, disability and death benefits according to pre-determined formulas and allows retirees to select one of seven optional methods for receiving benefits. Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through the date of termination or, if they are vested, they may elect to remain in the plan and be eligible for retirement benefits at age 50. The WRS issues a stand-alone financial report that can be obtained by writing to: Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, WY 82002 or by calling (307) 777-7691.

Until September 1, 2010, statutes required contributions to the plan equal to 11.25% of the participating employee's salary and the Council paid 100% of that required contribution. Effective September 1, 2010, required contributions were increased to 14.12%; of this, the Council pays 12.69% of the contribution and the employee pays the remaining 1.43%. Contributions made by the Council to WRS for the years ended June 30, 2012, 2011 and 2010 were \$404,840, \$387,888 and \$366,072, respectively.

## WYOMING BUSINESS COUNCIL

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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The Council also contributes 0.6% of eligible employee salaries to the State as a subsidy for retiree benefits. Amounts paid for the years ended June 30, 2012, 2011 and 2010 were \$19,574, \$19,096 and \$19,795, respectively.

**Deferred Compensation Plan** – The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, accounted for by the State and available to all Council employees, permits employees to defer a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All compensation and earnings deferred are held in trust or custodial accounts for the exclusive benefit of program participants and their beneficiaries.

Investments are managed and controlled by the deferred compensation plan's trustee, not the Council, under various investment options. The employee chooses the investment option(s) and the contribution amount when participating in the deferred compensation plan. These investments and the related liability to the employees are not included in the Council's financial statements as an agency since the deferred compensation plan is managed on a statewide basis.

Effective July 2001, statutes require matching contributions to the plan for each participating employee. Currently, the match established and appropriated by the Legislature for each participating employee is \$20 per month. Matching contributions made by the Council to the deferred compensation plan for the years ended June 30, 2012, 2011 and 2010 totaled \$9,729, \$9,610 and \$9,480, respectively.

#### **Note 7. RISK MANAGEMENT**

**State self-insurance** – The Council participates in the State self-insurance program that was created to handle property, casualty and liability insurance claims brought against the State. The State generally does not maintain reserves; losses are covered by a combination of appropriations from the State's general fund in the year in which the payment occurs and by assessing State agencies a pro-rata share of anticipated claims expenditures for the fiscal year. The Council was not assessed claims charges for the year ended June 30, 2012.

**Employee medical, life, long-term disability, vision and dental insurance** – The Council's employees participate in the State's Group Insurance plan. Under this plan, the State co-administers employee medical insurance with a third-party administrator. The State self-insures medical costs and assumes all the risk for claims incurred by plan participants. The Council does not retain any risk of loss for the life, long-term disability, vision and dental insurance plans as the insurance providers assume all the risk for claims incurred by the participants.

During the year ended June 30, 2012, the Council contributed up to \$670, \$1,330, \$1,520 and \$760 (for single, dependent, married, and family coverage, respectively) per month for insurance premiums, plus 90% of the monthly premiums in excess of these amounts for each covered participant towards these plans, excluding long-term disability and vision premiums. Participants are responsible for paying premium charges in excess of this amount plus long-term disability and vision premiums. Total group insurance premiums paid by the Council for the year ended June 30, 2012 were \$663,193.

**Workers' compensation** – Wyoming Statute 27-14-101 created the Wyoming Workers' Compensation Act (the "Act"). The Act requires all employers engaged in extra-hazardous employment to obtain liability coverage for the payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. Eligible employers that comply with the provisions of the Act are generally protected from suit by employees. Employers not required by the Act to participate in this program may elect to do so at their option. For the year ended June 30, 2012, the Council's contributions to the Workers' Compensation Fund were \$29,998.

**Unemployment compensation** – The Council does not carry unemployment insurance but pays the cost of actual claims incurred. The Council paid no unemployment claims for the year ended June 30, 2012.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

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**Note 8. TRANSACTIONS WITH THE STATE, UNIVERSITY OF WYOMING AND WYOMING OFFICE OF TOURISM**

The Council pays for services provided by the State for certain phone service, computer processing, motor pool vehicles, State plane usage, loan exam services and central mail. Total amounts expended for these services for the year ended June 30, 2012 were \$253,168.

The Wyoming Office of Tourism pays the Council for certain support services in the areas of fiscal and contract compliance, human resources, payroll and information technology. The total amount received for these services for the year ended June 30, 2012 was \$150,000.

The Council has entered into several agreements with the University of Wyoming (UW) to fund various projects which include the Market Research Center, Research Product Center, Manufacturing-Works, Small Business Development Centers, Small Business Innovation Research, Procurement Technical Assistance Center, Technology Business Center and Small Business Technology Transfer programs. Total amounts expended to UW for the year ended June 30, 2012 were \$2,891,559, of which \$358,487 is included in accounts payable as of June 30, 2012. The Council is committed for amounts remaining under these agreements in the amount of \$255,440 as of June 30, 2012.

**Note 9. COMMITMENTS AND CONTINGENCIES**

**Relationship with primary government** – The Council receives a significant portion of its revenues directly from the State of Wyoming and the continued operation of the Council is dependent upon actions of the Legislature.

In April, 2012, the Governor directed State agencies to prepare 8% standard budget reduction plans for the 2014 fiscal year to address anticipated decreases in State revenues due to declines in natural gas prices. If the proposed budget reductions are fully implemented, the Council's budget would be reduced by \$3.15 million which it would spread over its 2013 and 2014 fiscal years. Additionally, if State revenues remain depressed, the Council's budget for the 2015-2016 biennium could be further reduced.

**Federal grants** – Grant monies received and disbursed by the State are for specific purposes and are subject to audit by the grantor agency. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Council does not believe that such disallowances, if any, would have a material effect on the financial position or results of operations of the Council.

**Loans** – Loans approved by the Council's Board of Directors but undistributed as of June 30, 2012 totaled \$4,920,292. These will be funded by a combination of State appropriations, net restricted assets and Federal revenues.

**Other commitments and contingencies** – The Council has contracted and/or committed funds for various projects, services or other items arising in the normal course of operations. The amounts remaining to complete these commitments totaled \$41,624,952 as of June 30, 2012. These commitments will be funded by a combination of restricted net assets, State appropriations and Federal revenues.

**WYOMING BUSINESS COUNCIL**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Note 10. SUBSEQUENT EVENTS**

The Council has entered into various agreements subsequent to June 30, 2012, primarily with local governments for economic development infrastructure projects and for energy efficiency projects during the period July 1, 2012 through July 30, 2017. These agreements are valued at up to but no more than \$19,221,265. These agreements will be funded by a combination of State appropriations and Federal revenues.

Subsequent to June 30, 2012, the Council distributed \$1,500,000 out the American Recovery and Reinvestment fund for a loan approved but undistributed as of June 30, 2012.

## **REQUIRED SUPPLEMENTARY INFORMATION**

The Council's required supplementary information includes the budgetary comparison schedules as described in the following Notes to Required Supplementary Information.

### **Note 1. BASIS OF PRESENTATION**

The Council adopts a biennial budget that is approved by the State Legislature. The Council allocates the biennial budget to an annual budget for internal management purposes. These annualized budgets are presented in the accompanying budgetary comparison schedules. Additionally, these budget comparison schedules are prepared using 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 appropriation.

### **Note 2. EXPLANATION OF DIFFERENCES**

The schedule on page 31 is an explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures for the General Fund, Economic Development Fund, American Recovery and Reinvestment Fund, and the Rural Rehabilitation Fund for the year ended June 30, 2012.

**WYOMING BUSINESS COUNCIL**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund					
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	Variance with Final Budget Favorable (Unfavorable)
	Original	Final				
<b>REVENUES</b>						
Revenue from primary government	\$ 39,027,280	\$ 87,691,433	\$ 16,871,094	\$ -	\$ 16,871,094	\$ (70,820,339)
Federal revenue	3,912,564	10,097,529	3,918,107	-	3,918,107	(6,179,422)
Investment income	-	50,121	51,500	-	51,500	1,379
Revenue from others	218,572	685,894	203,794	-	203,794	(482,100)
Charges for sales and services	-	-	239,090	-	239,090	239,090
<b>Total revenues</b>	<b>43,158,416</b>	<b>98,524,977</b>	<b>21,283,585</b>	<b>-</b>	<b>21,283,585</b>	<b>(77,241,392)</b>
<b>EXPENDITURES</b>						
Administration	2,503,225	2,742,560	2,234,591	107,740	2,342,331	400,229
Agribusiness	846,862	1,077,016	1,012,192	16,314	1,028,506	48,510
Business and industry	4,617,367	6,220,124	5,087,615	859,395	5,947,010	273,114
Regional offices	1,119,886	1,109,937	1,064,876	38,846	1,103,722	6,215
Investment ready communities	33,248,902	86,372,973	11,124,535	37,797,800	48,922,335	37,450,638
Rural development and Mainstreet	822,174	1,002,367	759,776	213,651	973,427	28,940
<b>Total expenditures</b>	<b>43,158,416</b>	<b>98,524,977</b>	<b>21,283,585</b>	<b>39,033,746</b>	<b>60,317,331</b>	<b>38,207,646</b>
<b>(Deficiency) of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (39,033,746)</b>	<b>\$ (39,033,746)</b>	<b>\$ (39,033,746)</b>

**WYOMING BUSINESS COUNCIL**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Economic Development Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	
	Original	Final				
<b>REVENUES</b>						
Revenue from primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-	-
Investment income	570,438	570,438	692,736	-	692,736	122,298
Revenue from others	-	-	400,218	-	400,218	400,218
Charges for sales and services	-	-	4,350	-	4,350	4,350
<b>Total revenues</b>	<b>570,438</b>	<b>570,438</b>	<b>1,097,304</b>	<b>-</b>	<b>1,097,304</b>	<b>526,866</b>
<b>EXPENDITURES</b>						
Administration	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-
Business and industry	570,438	3,889,530	459,044	29,340	488,384	3,401,146
Regional offices	-	-	-	-	-	-
Investment ready communities	-	-	-	-	-	-
Rural development and Mainstreet	-	-	-	-	-	-
<b>Total expenditures</b>	<b>570,438</b>	<b>3,889,530</b>	<b>459,044</b>	<b>29,340</b>	<b>488,384</b>	<b>3,401,146</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ (3,319,092)</b>	<b>\$ 638,260</b>	<b>\$ (29,340)</b>	<b>\$ 608,920</b>	<b>\$ 3,928,012</b>

**WYOMING BUSINESS COUNCIL**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
AMERICAN RECOVERY AND REINVESTMENT FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	American Recovery and Reinvestment Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	
	Original	Final				
<b>REVENUES</b>						
Revenue from primary government	\$ -	\$ -	\$ 1,403,342	\$ -	\$ 1,403,342	\$ 1,403,342
Federal revenue	-	22,746,984	14,296,727	-	14,296,727	(8,450,257)
Investment income	-	-	-	-	-	-
Revenue from others	-	-	-	-	-	-
Charges for sales and services	-	-	-	-	-	-
<b>Total revenues</b>	-	22,746,984	15,700,069	-	15,700,069	(7,046,915)
<b>EXPENDITURES</b>						
Administration	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-
Business and industry	-	22,122,905	15,145,601	4,693,462	19,839,063	2,283,842
Regional offices	-	-	-	-	-	-
Investment ready communities	-	166,455	166,455	-	166,455	-
Rural development and Mainstreet	-	457,624	388,013	47,000	435,013	22,611
<b>Total expenditures</b>	-	22,746,984	15,700,069	4,740,462	20,440,531	2,306,453
<b>(Deficiency) of revenues over expenditures</b>	\$ -	\$ -	\$ -	\$ (4,740,462)	\$ (4,740,462)	\$ (4,740,462)



**WYOMING BUSINESS COUNCIL**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
RURAL REHABILITATION FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Rural Rehabilitation Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	
	Original	Final				
<b>REVENUES</b>						
Revenue from primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-	-
Investment income	-	-	148,202	-	148,202	148,202
Revenue from others	-	-	-	-	-	-
Charges for sales and services	-	-	-	-	-	-
<b>Total revenues</b>	-	-	148,202	-	148,202	148,202
<b>EXPENDITURES</b>						
Administration	-	-	-	-	-	-
Agribusiness	-	61,455	57,267	-	57,267	4,188
Business and industry	-	-	-	-	-	-
Regional offices	-	-	-	-	-	-
Investment ready communities	-	-	-	-	-	-
Rural development and Mainstreet	-	-	-	-	-	-
<b>Total expenditures</b>	-	61,455	57,267	-	57,267	4,188
<b>Excess (deficiency) of revenues over expenditures</b>	\$ -	\$ (61,455)	\$ 90,935	\$ -	\$ 90,935	\$ 152,390

**WYOMING BUSINESS COUNCIL**

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND  
OUTFLOWS AND GAAP REVENUES AND EXPENDITURES  
GENERAL FUND, ECONOMIC DEVELOPMENT FUND, AMERICAN RECOVERY  
AND REINVESTMENT FUND, AND RURAL REHABILITATION FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Economic Development Fund	American Recovery and Reinvestment Fund	Rural Rehabilitation Fund
<b>Sources/inflows of resources:</b>				
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 21,283,585	\$ 1,097,304	\$ 15,700,069	\$ 148,202
Differences in accrual basis revenues and cash basis budgetary amounts	<u>(15,107,200)</u>	193,036	322,749	<u>(52,493)</u>
Total revenues reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 36,390,785</u>	<u>\$ 904,268</u>	<u>\$ 15,377,320</u>	<u>\$ 200,695</u>
<b>Uses/outflows of resources:</b>				
Actual amounts "charged to appropriations" from the budgetary comparison schedule	\$ 60,317,331	\$ 488,384	\$ 20,440,531	\$ 57,267
Differences in accrual basis expenditures and cash basis budgetary amounts	15,384,565	(392,866)	(422,749)	(10,010)
Encumbrances	<u>(39,033,746)</u>	<u>(29,340)</u>	<u>(4,740,462)</u>	<u>-</u>
Total expenditures reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 36,668,150</u>	<u>\$ 66,178</u>	<u>\$ 15,277,320</u>	<u>\$ 47,257</u>