

WYOMING BUSINESS COUNCIL

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wyoming Business Council
Cheyenne, Wyoming

Report on the Financial Statements

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"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and budgetary comparison information on pages 27 through 30 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The combining statements of other governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mc Gee, Heurne & Paiz, LLP

Cheyenne, Wyoming
December 1, 2014

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, 2014 and 2013.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements:

- The Council's assets exceeded its liabilities (net position) as of June 30, 2014 by \$30.3 million, an increase of \$2.1 million from the previous year.

Governmental Fund Financial Statements:

- As of June 30, 2014, the Council's governmental funds reported combined fund balances of \$30.1 million, an increase of \$2.2 million from the previous year.
-

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 position and statement of activities.

The *statement of net position* 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 position*, 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 position.

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 30.

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 31 and 32.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Financial Position

The Council's net position may provide a useful indicator of its financial position. At the end of the current fiscal year, its assets exceeded liabilities by \$30.3 million, which represents an investment of \$300,840 in capital assets, \$26.3 million in restricted net position (economic development, rural rehabilitation, business ready communities, technology development, and residential relending), and \$3.7 million in unrestricted net position. The unrestricted net position may be used to meet the Council's ongoing obligations.

The Council's net position increased \$2.1 million during the current fiscal year which can be attributed to increases in restricted and unrestricted net position.

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

STATEMENT OF NET POSITION - CONDENSED

	2014	2013
ASSETS		
Current assets	\$ 36,130,344	\$ 32,697,758
Noncurrent assets:		
Loans receivable	5,502,707	5,548,181
Capital assets	304,716	400,946
Total assets	\$ 41,937,767	\$ 38,646,885
LIABILITIES		
Current liabilities	\$ 11,615,727	\$ 10,403,799
Noncurrent liabilities	-	11,845
Total liabilities	\$ 11,615,727	\$ 10,415,644
NET POSITION		
Net investment in capital assets	\$ 300,840	\$ 367,253
Restricted for economic development	19,582,555	18,561,343
Restricted for rural rehabilitation	4,411,157	4,282,420
Restricted for business ready communities	133,863	338,987
Restricted for technology development	518,660	489,248
Restricted for residential relending	1,632,000	1,616,000
Unrestricted	3,742,965	2,575,990
Total net position	\$ 30,322,040	\$ 28,231,241

Statement of Activities

Net position increased by \$2.1 million during the current fiscal year. The primary reasons are due to \$1.5 million of primary government appropriations received in the current fiscal year to fund a loan for the business ready communities program and investment income revenue of \$1.1 million.

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

STATEMENT OF ACTIVITIES - CONDENSED

	2014	2013
REVENUES		
Program revenues	\$ 2,393,394	\$ 6,926,263
General revenues	44,248,032	32,578,004
Total revenues	46,641,426	39,504,267
 EXPENSES		
Administration	1,868,557	1,873,718
Agribusiness	1,311,822	1,171,073
Business and industry	4,458,484	5,449,796
Regional offices	1,210,625	1,202,841
Investment ready communities	34,780,128	28,052,388
Rural development and Mainstreet	921,011	822,849
Total expenses	44,550,627	38,572,665
Increase in net position	\$ 2,090,799	\$ 931,602

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The Council’s activities are reflected in its general, economic development, 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, 2014, the Council’s governmental funds reported combined ending fund balances of \$30.1 million, an increase of \$2.2 million 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 \$3.6 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 \$1.0 million primarily due to an increase in the fair market value of investments and a decrease in expenditures during the current fiscal year.

The fund balance of the rural rehabilitation fund increased \$128,737 primarily due to an increase in the fair market value of investments during the current fiscal year.

The fund balances of the Council’s other governmental funds decreased \$147,343 primarily due to a decrease in federal revenues received in the American Recovery and Reinvestment fund.

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

	2014		2013		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	%
REVENUES						
Revenue from primary government	\$ 43,174,956	92.57%	\$ 32,437,364	82.11%	\$ 10,737,592	33.10%
Federal revenue	1,828,570	3.92%	6,620,056	16.76%	(4,791,486)	-72.38%
Investment income	1,089,495	2.34%	162,354	0.41%	927,141	571.06%
Revenue from others	126,005	0.27%	130,574	0.33%	(4,569)	-3.50%
Charges for sales and services	422,400	0.91%	153,919	0.39%	268,481	174.43%
Total revenues	\$ 46,641,426	100.00%	\$ 39,504,267	100.00%	\$ 7,137,159	18.07%
EXPENDITURES						
Administration	\$ 1,852,742	4.17%	\$ 1,868,212	4.84%	\$ (15,470)	-0.83%
Agribusiness	1,293,268	2.91%	1,153,366	2.99%	139,902	12.13%
Business and industry	4,447,004	10.00%	5,474,176	14.20%	(1,027,172)	-18.76%
Regional offices	1,393,184	3.13%	1,186,368	3.08%	206,816	17.43%
Investment ready communities	34,563,693	77.74%	28,065,442	72.78%	6,498,251	23.15%
Rural development and Mainstreet	912,344	2.05%	815,969	2.11%	96,375	11.81%
Total expenditures	\$ 44,462,235	100.00%	\$ 38,563,533	100.00%	\$ 5,898,702	15.30%

Revenues for governmental activities were \$46.6 million for fiscal year 2014, an increase of 18.07% from the previous year. Revenues from primary government increased \$10.7 million primarily due to increased activity in the business ready communities program. Federal revenues decreased \$4.8 million primarily due to a decrease in revenues received for American Recovery and Reinvestment programs funded by the U.S. Department of Energy and a decrease in revenues received for the Community Development Block Grant program funded by the U.S. Department of Housing and Urban Development. Revenues from investment income increased \$927,141 from the previous fiscal year primarily due an increase in the fair market value of investments.

Expenditures for governmental activities were \$44.5 million for the current fiscal year, an increase of 15.30% from fiscal year 2013. This increase is primarily due to an increase in expenditures for grant programs funded by state appropriations, offset by decreases in expenditures for grant programs funded by federal revenues.

CAPITAL ASSETS ACTIVITY

The Council's investment in capital assets for its governmental activities as of June 30, 2014 amounted to \$304,716, net of accumulated depreciation of \$668,743. This investment in capital assets includes 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 \$3,876. The \$82,276 decrease in net capital assets from the previous year is due to \$12,988 of current year additions, less \$102,264 in depreciation expense.

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

SCHEDULE OF CAPITAL ASSETS
(net of depreciation)

	2014	2013
Construction in progress	\$ -	\$ 48,143
Building	38,824	40,580
Lease improvements	5,512	-
Capitalized leases	15,979	36,115
Furniture, fixtures and equipment	40,877	46,175
Intangible assets	203,524	229,933
Total	\$ 304,716	\$ 400,946

Additional information on the Council's capital assets can be found in Note 4 of this report.

BUDGETARY HIGHLIGHTS

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

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

Budgeted expenditures for the rural rehabilitation fund were increased to carry over appropriations from a previous fiscal year.

FINANCIAL IMPACTS

During the 2013 General Session of the Legislature, State agency budgets were reduced for the 2014 fiscal year to address anticipated decreases in State revenues due to declines in natural gas prices. The Council's budget was reduced by \$4.53 million which it spread over its 2013 and 2014 fiscal years.

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 15th Street, Cheyenne, WY 82002.

WYOMING BUSINESS COUNCIL

STATEMENT OF NET POSITION

JUNE 30, 2014

ASSETS

Current Assets	
Deposits with State Treasurer	\$ 33,106,122
Deposits in bank	28,475
Accounts receivable	1,529,758
Interest receivable	140,045
Due from primary government	26,293
Due from Federal government	490,697
Loans receivable, net	808,954
Total current assets	<u>36,130,344</u>
Noncurrent Assets	
Loans receivable, net	5,502,707
Capital assets, net of accumulated depreciation:	
Buildings	38,824
Leasehold improvements	5,512
Capitalized leases	15,979
Furniture, fixtures and equipment	40,877
Intangibles	203,524
Total noncurrent assets	<u>5,807,423</u>
Total assets	<u>41,937,767</u>

LIABILITIES

Current Liabilities	
Accounts payable	10,915,066
Due to primary government	546,292
Accrued payroll	3,596
Compensated absences payable	95,877
Capital leases payable	3,876
Deposits	2,614
Advance payments	48,406
Total current liabilities	<u>11,615,727</u>
Total liabilities	<u>11,615,727</u>

NET POSITION

Net investment in capital assets	300,840
Restricted for economic development	19,582,555
Restricted for rural rehabilitation	4,411,157
Restricted for business ready communities	133,863
Restricted for technology development	518,660
Restricted for residential relending	1,632,000
Unrestricted	3,742,965
Total net position	<u>\$ 30,322,040</u>

See Notes to Financial Statements.

WYOMING BUSINESS COUNCIL

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Sales and Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Administration	\$ 1,868,557	\$ 14,474	\$ -	\$ (1,854,083)
Agribusiness	1,311,822	2,327	-	(1,309,495)
Business and industry	4,458,484	297,180	334,524	(3,826,780)
Regional offices	1,210,625	-	-	(1,210,625)
Investment ready communities	34,780,128	-	1,633,470	(33,146,658)
Rural development and Mainstreet	921,011	108,419	3,000	(809,592)
Total	\$ 44,550,627	\$ 422,400	\$ 1,970,994	(42,157,233)
General Revenues				
Appropriation from primary government				43,174,956
Investment income				947,071
Other				126,005
Total general revenues				44,248,032
Change in net position				2,090,799
Net Position, beginning				28,231,241
Net Position, ending				\$ 30,322,040

See Notes to Financial Statements.

WYOMING BUSINESS COUNCIL

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Economic Development Fund	Rural Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Deposits with State Treasurer	\$ 8,275,536	\$ 19,181,241	\$ 4,608,991	\$ 1,040,354	\$ 33,106,122
Deposits in bank	701	-	-	27,774	28,475
Accounts receivable	3,064	1,180,130	283,569	62,995	1,529,758
Interest receivable	16,212	89,474	16,254	18,105	140,045
Due from primary government	26,293	-	-	-	26,293
Due from Federal government	490,697	-	-	-	490,697
Loans receivable, net	3,566,643	1,145,018	-	1,600,000	6,311,661
Total assets	\$ 12,379,146	\$ 21,595,863	\$ 4,908,814	\$ 2,749,228	\$ 41,633,051
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 8,221,029	\$ 2,013,308	\$ 497,657	\$ 183,072	\$ 10,915,066
Due to primary government	536,858	-	-	9,434	546,292
Accrued payroll	3,596	-	-	-	3,596
Deposits	2,614	-	-	-	2,614
Advance payments	48,406	-	-	-	48,406
Total liabilities	8,812,503	2,013,308	497,657	192,506	11,515,974
Fund Balances					
Nonspendable:					
Loans receivable	3,566,643	1,145,018	-	1,600,000	6,311,661
Restricted	-	-	4,411,157	32,000	4,443,157
Committed	-	18,437,537	-	133,863	18,571,400
Assigned	-	-	-	790,859	790,859
Total fund balances	3,566,643	19,582,555	4,411,157	2,556,722	30,117,077
Total liabilities and fund balances	\$ 12,379,146	\$ 21,595,863	\$ 4,908,814	\$ 2,749,228	\$ 41,633,051

See Notes to Financial Statements.

WYOMING BUSINESS COUNCIL

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds \$ 30,117,077

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

Capital assets used in governmental activities are not financial
resources and, therefore, are 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:

Buildings	\$ 43,900	
Leasehold improvements	16,199	
Capitalized leases, net of related capital leases payable	81,443	
Furniture, fixtures and equipment	400,430	
Intangibles	427,611	
Accumulated depreciation	(668,743)	
Total capital assets, net of capital leases payable		<u>300,840</u>

Certain liabilities that are not due and payable with current resources
and, therefore, are not reported in the governmental funds. (95,877)

Net position of governmental activities \$ 30,322,040

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, 2014**

	General Fund	Economic Development Fund	Rural Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenue from primary government	\$ 43,174,956	\$ -	\$ -	\$ -	\$ 43,174,956
Federal revenue	1,824,263	-	-	4,307	1,828,570
Interest income	29,761	499,441	100,120	35,897	665,219
Net increase in the fair market value of investments	-	324,487	85,285	14,504	424,276
Revenue from others	120,539	-	-	5,466	126,005
Charges for sales and services	192,303	230,097	-	-	422,400
Total revenues	45,341,822	1,054,025	185,405	60,174	46,641,426
EXPENDITURES					
Administration	1,840,616	-	-	12,126	1,852,742
Agribusiness	1,236,600	-	56,668	-	1,293,268
Business and industry	4,409,809	32,813	-	4,382	4,447,004
Regional offices	1,188,060	-	-	205,124	1,393,184
Investment ready communities	34,563,693	-	-	-	34,563,693
Rural development and Mainstreet	912,344	-	-	-	912,344
Total expenditures	44,151,122	32,813	56,668	221,632	44,462,235
Excess (deficiency) of revenues over expenditures	1,190,700	1,021,212	128,737	(161,458)	2,179,191
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	14,115	14,115
Transfers out	(14,115)	-	-	-	(14,115)
Total other financing sources (uses)	(14,115)	-	-	14,115	-
Net change in fund balances	1,176,585	1,021,212	128,737	(147,343)	2,179,191
Fund balances, beginning	2,390,058	18,561,343	4,282,420	2,704,065	27,937,886
Fund balances, ending	\$ 3,566,643	\$ 19,582,555	\$ 4,411,157	\$ 2,556,722	\$ 30,117,077

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, 2014**

Net change in fund balances - total governmental funds	\$ 2,179,191
<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	\$ 12,988
Depreciation expense	<u>(102,264)</u> (89,276)
<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 position.</p>	
	14,894
<p>Certain expenses reported in the statement of activities that do not require the use of current financial resources and, therefore, are not recorded as expenditures in the governmental funds.</p>	
	<u>(14,010)</u>
Change in net position of governmental activities	<u><u>\$ 2,090,799</u></u>

See Notes to Financial Statements.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 position 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 position 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 position. Net position is 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, 2014

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.

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 advance payments on its statement of net position and governmental fund balance sheet. Advance payments for governmental fund reporting purposes arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Advance payments also arise 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 advance payments is removed from the balance sheet and revenue is recognized.

WYOMING BUSINESS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2012 through June 30, 2014	\$144,466,283
Actual expenditures (non-GAAP budgetary basis) for the period July 1, 2012 through June 30, 2014	\$100,493,764

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. 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.

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.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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.

J. 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	7
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, 2014 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.

K. 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. Vacation leave is accrued from October 1 to September 30 of each year. 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.

L. 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, 2014.

M. Advance payments

Advance payments occur when resources are received by the Council before it has legal claim to them. In subsequent periods when revenue recognition criteria are met, the liability for the unearned revenue is reduced and the revenue is recognized.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

N. Fund balances

The Council has implemented Governmental Accounting Standards Board (GASB) Statement No. 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 because they are either: 1) not in spendable form, or 2) legally or contractually required to be maintained intact, 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 are neither restricted nor committed that the reporting governmental entity intends to use for a specific purpose as expressed by the governmental entity itself or by a party delegated the authority by the governmental entity.

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 GASB 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 yet been determined.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The Council has adopted accounting changes to conform to the provisions of this statement beginning in the year ended June 30, 2014. The application of GASB Statement No. 65 did not require a restatement of beginning net position.

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 (the “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:

“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, 2014 are presented as follows:

	Fair Value	Percentage
Investment Type:		
Fixed income investments	\$ 33,106,122	100.00%

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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 fluctuates 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.
- 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 the risk 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. These agency securities hold a rating of AA. While the State's Master Investment Policy sets limits for concentration of investments, it provides that United States agency bonds are eligible without limitation.

Note 3. LOANS RECEIVABLE

Interest rates on loans vary from 1.0% to 4.5% and have varying maturity dates through 2023; collateral includes personal guarantees, mortgages on real estate, and liens on receivables, inventory, furniture, equipment and crops. At June 30, 2014, loans receivable included outstanding loans to four major loan customers totaling \$4,997,305, which comprised 74% of gross loans receivable as of that date. There were no loans charged off during the year ended June 30, 2014.

WYOMING BUSINESS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Loans receivable as of June 30, 2014 are as follows:

	<u>Loan Type</u>	<u>Gross Balance</u>	<u>Allowance</u>	<u>Net Balance</u>
General Fund	Mainstreet	\$ 65,806	\$ -	\$ 65,806
General Fund	Business Ready Community	3,500,836	-	3,500,836
Economic Development Fund	Amendment IV	418,829	203,000	215,829
Economic Development Fund	Challenge	26,424	26,424	-
Economic Development Fund	Economic disaster	632,023	66,500	565,523
Economic Development Fund	Bridge	468,159	104,492	363,667
American Recovery and Reinvestment Fund	Residential Relending	<u>1,600,000</u>	<u>-</u>	<u>1,600,000</u>
		<u>\$ 6,712,077</u>	<u>\$ 400,416</u>	<u>\$ 6,311,661</u>

Note 4. CAPITAL ASSETS

Capital asset activity in the government-wide financial statements for the year ended June 30, 2014 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	\$ 48,143	\$ -	\$ (48,143)	\$ -
Capital assets being depreciated:				
Building	43,900	-	-	43,900
Leasehold improvements	12,626	5,681	(2,108)	16,199
Capitalized leases – equipment	92,273	-	(6,954)	85,319
Furniture, fixtures and equipment	402,410	-	(1,980)	400,430
Intangible assets	<u>372,161</u>	<u>55,450</u>	<u>-</u>	<u>427,611</u>
Total capital assets being depreciated	<u>923,370</u>	<u>61,131</u>	<u>(11,042)</u>	<u>973,459</u>
Less accumulated depreciation:				
Building	(3,320)	(1,756)	-	(5,076)
Leasehold improvements	(12,626)	(169)	2,108	(10,687)
Capitalized leases – equipment	(56,158)	(13,182)	-	(69,340)
Furniture, fixtures and equipment	(356,235)	(5,298)	1,980	(359,553)
Intangible assets	<u>(142,228)</u>	<u>(81,859)</u>	<u>-</u>	<u>(224,087)</u>
Total accumulated depreciation	<u>(570,567)</u>	<u>(102,264)</u>	<u>4,088</u>	<u>(668,743)</u>
Capital assets, net	<u>\$ 400,946</u>	<u>\$(41,133)</u>	<u>\$ (55,097)</u>	<u>\$ 304,716</u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 34,780
Agribusiness	16,611
Business and industry	13,497
Regional offices	16,611
Investment ready communities	12,459
Rural development and Mainstreet	<u>8,306</u>
	<u>\$ 102,264</u>

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 June 2016.

Operating leases: Expenditures on operating leases are recognized as incurred. Total rent expense for these operating leases for the year ended June 30, 2014 was \$176,805. Future minimum lease payments for operating leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 141,721
2016	<u>131,012</u>
Total minimum payments	<u>\$ 272,733</u>

Capital leases: The gross amount of assets recorded under capital leases as of June 30, 2014 was \$85,319 with accumulated depreciation of \$69,340. Future minimum lease payments for capital leases are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 4,073
Less: interest	<u>(197)</u>
Present value of lease payments	<u>\$ 3,876</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 (the “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.

Statutes require that a percentage of the covered employee’s salary be contributed to the plan, a portion of which is paid for by the employee. In 2013, the Legislature approved an increase to the contribution to the WRS. On that day, the employer’s contribution to WRS increased from 12.69% to 12.94% and the employee’s portion increased from 1.43% to 1.68%. Contributions made by the Council to WRS for the years ended June 30, 2014, 2013 and 2012 were \$388,604, \$385,134 and \$404,840, respectively.

WYOMING BUSINESS COUNCIL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, 2013 and 2012 were \$18,078, \$18,642 and \$19,574, 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.

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, 2014, 2013 and 2012 totaled \$9,580, \$9,600, and \$9,729, 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 assessed no claims for the year ended June 30, 2014.

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, 2014, the Council contributed up to \$664, \$1,008, \$1,317, and \$1,506 (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, 2014 were \$719,188.

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, 2014, the Council's contributions to the Workers' Compensation Fund were \$25,418.

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, 2014.

WYOMING BUSINESS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

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, 2014 were \$200,814.

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, 2014 was \$80,000.

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, 2014 were \$2,803,385, of which \$194,936 is included in accounts payable as of June 30, 2014. The Council is committed for amounts remaining under these agreements in the amount of \$314,687 as of June 30, 2014.

The Council has entered into an agreement with the Wyoming Department of Transportation (WYDOT) to provide funds to update the state's railroad plan to include an assessment of freight and passenger needs and an analysis of future growth, capacity constraints and economic and environmental impacts. Total amounts expended to WYDOT for the year ended June 30, 2014 were \$22,008, of which \$1,412 is included in accounts payable as of June 30, 2014. The Council is committed for amounts remaining under this agreement in the amount of \$27,992 as of June 30, 2014.

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.

During the 2013 General Session of the Legislature, State agency budgets were reduced for the 2014 fiscal year to address anticipated decreases in State revenues due to declines in natural gas prices. The Council's budget was reduced by \$4.53 million which it spread over its 2013 and 2014 fiscal years.

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, 2014 totaled \$10,181,977. These will be funded by a combination of State appropriations and restricted net position.

Wyoming Retirement System – In 2014, the Legislature approved an increase to the contribution to the WRS, a portion of which will be paid for by the employee. The increase will be phased in over a period of four years starting July 1, 2014. On that date, the employer's contribution to WRS will increase from 12.94% to 13.815%. The employer's contribution rate increases again on July 1, 2015 to 14.565%. On July 1, 2016 and July 1, 2017, it decreases to 14.315% and 13.94%, respectively.

WYOMING BUSINESS COUNCIL

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$45,759,247 as of June 30, 2014. These commitments will be funded by a combination of restricted net position, State appropriations and Federal revenues.

Note 10. SUBSEQUENT EVENTS

The Council has entered into various agreements subsequent to June 30, 2014, primarily with local governments for economic development infrastructure projects during the period July 1, 2014 through June 30, 2019. These agreements are valued at up to but no more than \$33,087,012. These agreements will be funded by a combination of State appropriations and Federal revenues.

The Council distributed \$225,000 after June 30, 2014 out of the Economic Development Fund for loans approved but undistributed as of June 30, 2014.

The Council distributed \$150,000 after June 30, 2014 out of State appropriations for a loan approved but undistributed as of June 30, 2014.

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 30 is an explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures for the General Fund, Economic Development Fund, and the Rural Rehabilitation Fund for the year ended June 30, 2014.

WYOMING BUSINESS COUNCIL

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund					
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	Variance with Final Budget Favorable (Unfavorable)
	Original	Final				
REVENUES						
Revenue from primary government	\$ 39,436,533	\$ 111,634,365	\$ 29,623,274	\$ -	\$ 29,623,274	\$ (82,011,091)
Federal revenue	4,046,153	5,537,942	1,719,263	-	1,719,263	(3,818,679)
Investment income	-	58,732	26,163	-	26,163	(32,569)
Revenue from others	335,162	770,045	432,220	-	432,220	(337,825)
Charges for sales and services	-	-	182,496	-	182,496	182,496
Total revenues	43,817,848	118,001,084	31,983,416	-	31,983,416	(86,017,668)
EXPENDITURES						
Administration	2,617,028	2,588,663	2,274,186	69,889	2,344,075	244,588
Agribusiness	1,127,052	1,185,301	1,078,140	53,888	1,132,028	53,273
Business and industry	4,538,481	5,538,727	4,340,381	1,049,814	5,390,195	148,532
Regional offices	1,169,815	1,158,390	1,107,424	15,498	1,122,922	35,468
Investment ready communities	33,461,721	106,215,387	22,320,988	48,232,182	70,553,170	35,662,217
Rural development and Mainstreet	903,751	1,314,616	862,297	305,730	1,168,027	146,589
Total expenditures	43,817,848	118,001,084	31,983,416	49,727,001	81,710,417	36,290,667
(Deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ (49,727,001)	\$ (49,727,001)	\$ (49,727,001)

WYOMING BUSINESS COUNCIL

**BUDGETARY COMPARISON SCHEDULE (Continued)
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Economic Development Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	
	Original	Final				
REVENUES						
Revenue from primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-	-
Investment income	245,438	245,438	460,904	-	460,904	215,466
Revenue from others	325,000	3,617,785	20,387	-	20,387	(3,597,398)
Charges for sales and services	-	-	230,097	-	230,097	230,097
Total revenues	570,438	3,863,223	711,388	-	711,388	(3,151,835)
EXPENDITURES						
Administration	-	-	-	-	-	-
Agribusiness	-	-	-	-	-	-
Business and industry	570,438	3,863,223	425,888	1,900	427,788	3,435,435
Regional offices	-	-	-	-	-	-
Investment ready communities	-	-	-	-	-	-
Rural development and Mainstreet	-	-	-	-	-	-
Total expenditures	570,438	3,863,223	425,888	1,900	427,788	3,435,435
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 285,500	\$ (1,900)	\$ 283,600	\$ 283,600

WYOMING BUSINESS COUNCIL

**BUDGETARY COMPARISON SCHEDULE (Continued)
RURAL REHABILITATION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Rural Rehabilitation Fund						
	Budgeted Amounts		Actual	Encumbrances	Total Actual and Encumbrances	Variance with Final Budget Favorable (Unfavorable)
	Original	Final				
REVENUES						
Revenue from primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	-	-
Investment income	-	63,491	89,220	-	89,220	25,729
Revenue from others	-	-	-	-	-	-
Charges for sales and services	-	-	-	-	-	-
Total revenues	-	63,491	89,220	-	89,220	25,729
EXPENDITURES						
Administration	-	-	-	-	-	-
Agribusiness	-	63,491	46,668	-	46,668	16,823
Business and industry	-	-	-	-	-	-
Regional offices	-	-	-	-	-	-
Investment ready communities	-	-	-	-	-	-
Rural development and Mainstreet	-	-	-	-	-	-
Total expenditures	-	63,491	46,668	-	46,668	16,823
Excess of revenues over expenditures	\$ -	\$ -	\$ 42,552	\$ -	\$ 42,552	\$ 42,552

WYOMING BUSINESS COUNCIL

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS
AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES
GENERAL FUND, ECONOMIC DEVELOPMENT FUND,
AND RURAL REHABILITATION FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Economic Development Fund	Rural Rehabilitation Fund
Sources/inflows of resources:			
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 31,983,416	\$ 711,388	\$ 89,220
Differences in accrual basis revenues and cash basis budgetary amounts	<u>(13,358,406)</u>	<u>(342,637)</u>	<u>(96,185)</u>
Total revenues reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 45,341,822</u>	<u>\$ 1,054,025</u>	<u>\$ 185,405</u>
Uses/outflows of resources:			
Actual amounts "charged to appropriations" from the budgetary comparison schedule	\$ 81,710,417	\$ 427,788	\$ 46,668
Differences in accrual basis expenditures and cash basis budgetary amounts	12,167,706	(393,075)	10,000
Encumbrances	<u>(49,727,001)</u>	<u>(1,900)</u>	-
Total expenditures reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 44,151,122</u>	<u>\$ 32,813</u>	<u>\$ 56,668</u>

OTHER GOVERNMENTAL FUNDS

The Council's non-major governmental funds are described below:

Technology Development Fund – used to account for technology development efforts of the Council; primarily, the activities of the loan portfolio of the former Science, Technology and Energy Authority (STEA) and Seed capital loans. Revenues consist primarily of interest income.

Business-Ready Communities Fund – used to account for the community facilities program that provides funding to assist communities preserve former school and government facilities for existing or future community uses.

Wyoming Business Council Fund – used primarily to account for revenues of the Wyoming First program, telephone commissions, and net profits from sales of promotional merchandise.

Economic and Workforce Development Fund – used to account for activities of Wyoming Economic and Workforce Development, Inc. (the “WEWD”), a not-for-profit 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.

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

WYOMING BUSINESS COUNCIL

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Technology Development Fund	Business Ready Communities Fund	Wyoming Business Council Fund	Economic and Workforce Development Fund	American Recovery and Reinvestment Fund	Total
ASSETS						
Deposits with State Treasurer	\$ 540,207	\$ 218,840	\$ 264,307	\$ -	\$ 17,000	\$ 1,040,354
Deposits in bank	-	-	-	27,774	-	27,774
Accounts receivable	33,236	13,497	16,262	-	-	62,995
Interest receivable	1,905	-	932	-	15,268	18,105
Loans receivable, net	-	-	-	-	1,600,000	1,600,000
Total assets	\$ 575,348	\$ 232,337	\$ 281,501	\$ 27,774	\$ 1,632,268	\$ 2,749,228
LIABILITIES AND EQUITY						
Liabilities						
Accounts payable	\$ 56,688	\$ 98,474	\$ 27,910	\$ -	\$ -	\$ 183,072
Due to primary government	-	-	9,166	-	268	9,434
Total liabilities	56,688	98,474	37,076	-	268	192,506
Fund Balance						
Nonspendable:						
Loans receivable	-	-	-	-	1,600,000	1,600,000
Restricted	-	-	-	-	32,000	32,000
Committed	-	133,863	-	-	-	133,863
Assigned	518,660	-	244,425	27,774	-	790,859
Total fund balance	518,660	133,863	244,425	27,774	1,632,000	2,556,722
Total liabilities and fund balances	\$ 575,348	\$ 232,337	\$ 281,501	\$ 27,774	\$ 1,632,268	\$ 2,749,228

WYOMING BUSINESS COUNCIL

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Technology Development Fund	Business Ready Communities Fund	Wyoming Business Council Fund	Economic and Workforce Development Fund	American Recovery and Reinvestment Fund	Total
REVENUES						
Revenue from primary government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal revenue	-	-	-	-	4,307	4,307
Interest income	14,189	-	5,705	3	16,000	35,897
Net increase in the fair market value of investments	9,757	-	4,747	-	-	14,504
Revenue from others	5,466	-	-	-	-	5,466
Charges for sales and services	-	-	-	-	-	-
Total revenues	29,412	-	10,452	3	20,307	60,174
EXPENDITURES						
Administration	-	-	12,126	-	-	12,126
Agribusiness	-	-	-	-	-	-
Business and industry	-	-	-	75	4,307	4,382
Investment ready communities	-	205,124	-	-	-	205,124
Regional	-	-	-	-	-	-
Rural development and Mainstreet	-	-	-	-	-	-
Total expenditures	-	205,124	12,126	75	4,307	221,632
Excess (deficiency) of revenues over expenditures	29,412	(205,124)	(1,674)	(72)	16,000	(161,458)
OTHER FINANCING SOURCES						
Transfers in	-	-	14,115	-	-	14,115
Transfers out	-	-	-	-	-	-
Total other financing sources	-	-	14,115	-	-	14,115
Net change in fund balances	29,412	(205,124)	12,441	(72)	16,000	(147,343)
Fund balances, beginning	489,248	338,987	231,984	27,846	1,616,000	2,704,065
Fund balances, ending	\$ 518,660	\$ 133,863	\$ 244,425	\$ 27,774	\$ 1,632,000	\$ 2,556,722