UNIVERSITY OF WYOMING

FINANCIAL REPORT

JUNE 30, 2002

CONTENTS

McGee, Hearne & Paiz, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of Wyoming
Laramie, Wyoming

We have audited the accompanying statement of net assets of the University of Wyoming, a component unit of the State of Wyoming, as of June 30, 2002, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Wyoming as of June 30, 2002, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the University has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local* Governments, and Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as of June 30, 2002.

Management's discussion and analysis on pages 2 through 12, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2002, on our consideration of the University of Wyoming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McGEE, HEARNE & PAIZ, LLP

Cheyenne, Wyoming
September 23, 2002

UNIVERSITY OF WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2002

INTRODUCTION

This discussion and analysis provides an overview of the University of Wyoming's financial position and activities for the fiscal year ended June 30, 2002. It has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. This discussion and analysis contains the financial activities of the University of Wyoming and its component unit, the Cowboy Joe Club. Cowboy Joe Club financial activities are incorporated in the financial statements as a whole; discrete presentation is not required.

Accountability is the paramount objective of institutional financial reporting. It is the University's duty to be accountable to the public and to provide information that responds to the needs of three groups of primary users of general-purpose financial reports:

- the citizenry
- the governing board, the legislature and oversight bodies
- and investors and creditors

Meaningful financial reports and accompanying notes provide information useful for assessing financial condition and results of operations, assisting in determining compliance with finance-related laws, rules, and regulations, and assisting in evaluating efficiency and effectiveness of operations.

Financial statement readers do not always have the same specific objectives; therefore, in order to address the needs of as many parties as reasonably possible, the University's annual report consists of three components in accordance with required reporting standards: 1) management's discussion and analysis (this section); 2) institution-wide financial statements; and 3) notes to the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The University's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. For fiscal year 2002, the University adopted GASB Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38.

These statements establish standards for financial reporting for public colleges and universities and are intended to enhance the understandability and usefulness of these financial reports. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Previously, financial statements focused on the accountability of individual fund groups rather than on the University as a whole.

The financial statements are fundamentally different in format than financial statements required in prior fiscal years; therefore, a direct comparison to last year's net assets, revenues, expenses and changes in net assets is not presented in this analysis. Public institutions are not required to restate prior year financial statements for purposes of providing comparative data in the initial year of GASB Statements No. 34 and No. 35 implementation; however, in future years a comparative analysis will be presented.

Other significant changes to the financial statements are as follows:

- Revenues and expenses are now categorized as either operating or nonoperating. Previously, a measure of operations was not presented. Significant recurring sources of the University's revenues, including state appropriations, gifts and investment income (loss) are considered nonoperating as defined by GASB Statement No. 35. For the fiscal year ended June 30, 2002, nonoperating revenues totaled $123.6 million; nonoperating expenses, consisting primarily of interest expense, totaled $1.5 million.

- Scholarships and fellowships applied to student accounts are now shown as a reduction of student tuition and auxiliary service revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses. Previously, all scholarships and fellowships were presented as expenses. For the year ended June 30, 2002, scholarships and fellowships totaled $21.4 million, of which $14.1 million represents amounts applied to student accounts, as defined by GASB Statement Nos. 34 and 35.

- Depreciation of capital assets is now recognized as an expense. Previously, no depreciation was recorded. For the year ended June 30, 2002, depreciation expense totaled $13.4 million.

- Unexpended cash advances received for sponsored programs are now recorded as deferred revenue. Previously, amounts received were recognized as revenue upon receipt. Deferred revenue as of June 30, 2002 was $7.1 million.

- In the process of aggregating data for the Statement of Revenues, Expenses and Changes in Net Assets, $11.7 million of intra-agency revenues and expenses were eliminated.

FINANCIAL HIGHLIGHTS

- The assets of the University exceeded liabilities as of June 30, 2002 by $367 million. Of this amount, $64.4 million (unrestricted net assets) may be used to meet ongoing obligations, $197.2 million (net of related debt) is invested in capital assets, while $105.4 million is restricted as to use ($61.6 million is nonexpendable – endowments required to be retained in perpetuity – and $43.8 million is expendable for scholarships, research, instruction, loans or capital projects).

- The University's net assets decreased by $1.2 million, partially attributable to the new requirement to recognize depreciation expense. In absence of the $13.4 million depreciation charge, net assets actually increased by $12.2 million. An unfavorable stock market fluctuation in the University's investment portfolio further constrained growth in net assets.

STATEMENT OF NET ASSETS

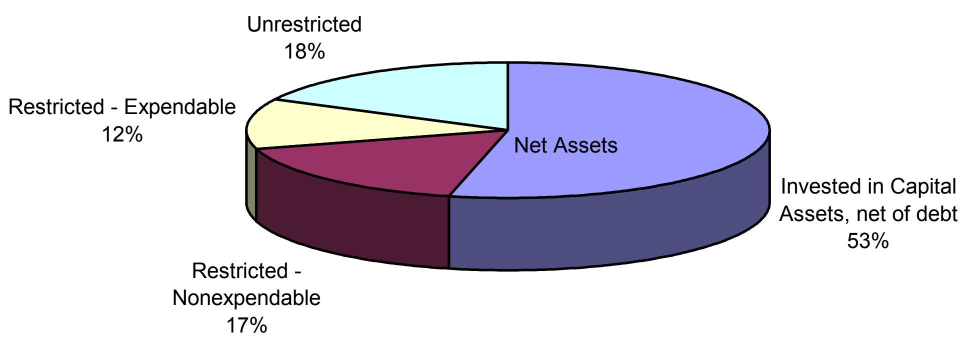
The Statement of Net Assets reflects the University's financial and capital resources. The difference between assets and liabilities – net assets – is displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted. This statement presents the financial position of the University at the end of the fiscal year. Net assets are one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received or paid.

The following page contains a condensed Statement of Net Assets and a graphic display of the net assets categories.

Net Assets as of June 30, 2002 (in millions)	
Current Assets	$ 130.9
Noncurrent Assets:	
Investments	84.5
Capital assets, net of accumulated depreciation	228.2
Other assets	17.5
Total Assets	**461.1**
Current Liabilities	38.7
Noncurrent Liabilities	55.4
Total Liabilities	**94.1**
Net Assets:	
Invested in capital assets, net of related debt	197.2
Restricted:	
Nonexpendable	61.6
Expendable	43.8
Unrestricted	64.4
Total Net Assets	**$ 367.0**

Net Assets - June 30, 2002



A review of the University's Statement of Net Assets shows that the University continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, management of its endowments and conservative utilization of debt.

Current assets consist primarily of cash and cash equivalents ($42.6 million) and operating investments ($70.5 million). Accounts and loans receivable, including interest receivable, ($13.5 million) and other current assets consisting of inventories and prepaid expenses ($4.3 million) make up the balance of current assets. Total current assets as of June 30, 2002 were $130.9 million.

Noncurrent assets as of June 30, 2002 total $330.2 million, consisting primarily of capital assets, net of accumulated depreciation ($228.2 million) and long-term investments ($84.5 million). Noncurrent student loan receivables ($15.4 million) and other noncurrent assets ($2.1 million) make up the balance.

Current liabilities total $38.7 million, of which $17.5 million is related to payroll obligations and accrued compensated absences (vacation pay). The remaining $21.2 million is made up of various accounts payable, deferred revenues and current portions of revenue bonds payable and capital lease obligations.

Noncurrent liabilities of $55.4 million consist of revenue bonds payable ($28.6 million), deposits held in custody for others ($12.4 million) and other noncurrent liabilities ($14.4 million).

Total assets of the University of Wyoming ($461.1 million) exceed total liabilities ($94.1 million) by $367 million.

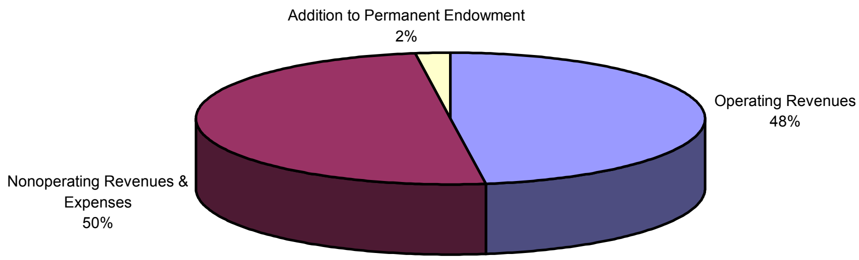
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets reflect the operations of the University. Taken together the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets will help answer the question, "Is the University of Wyoming as a whole financially stronger or weaker as a result of the year's activities?" Baseline financial data presented this year will help answer that question in future years. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, a decrease in net assets results. The relationship between revenues and expenses may be thought of as the University's operating results. It is important to keep in mind that many non-financial factors are relevant to the University's financial health as well: the trend and quality of applicants, freshman class size, student retention, capital facilities condition and physical plant capacity, and campus safety all contribute to the overall health of the institution.

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2002
(in millions)

Operating Revenues:	
Tuition and fees	$ 37.2
Less scholarship allowance	(11.3)
Net tuition and fees	25.9
Sponsored programs – federal	30.5
Sponsored programs – state	10.6
Sponsored programs – nongovernmental	4.3
Mineral royalty	13.4
Sales and services–educational departments	5.6
Auxiliary enterprise services	23.2
Other operating revenues	2.6
Total Operating Revenues	**116.1**
Operating Expenses:	
Instruction	78.3
Research	31.8
Public service	18.6
Academic support	15.7
Student services	10.0
Institutional support	20.3
Operation and maintenance of plant	16.9
Scholarships	7.2
Auxiliary enterprises	32.3
Depreciation	13.4
Total Operating Expenses	**244.5**
Operating (loss)	(128.4)
Nonoperating Revenues (Expenses)	
State appropriations	109.7
Gifts	12.2
Investment income	1.7
Interest expense	(1.5)
Net Nonoperating Revenues	**122.1**
(Loss) before additions to permanent endowments	(6.3)
Additions to permanent endowments	5.1
Net (Decrease) in Net Assets	**$ (1.2)**

Total Revenues



One of the University's greatest strengths is the diverse stream of revenues, which supplement its student tuition and fees, including state appropriations, voluntary private support from individuals, and corporations through the University of Wyoming Foundation, along with government and other sponsored programs, and investment income. The University has in the past and will continue to aggressively seek funding from all possible sources consistent with its mission, to supplement student tuition, and to manage prudently the financial resources realized from these efforts to fund its operating activities.

The University invests its endowments to maximize total return over the long term, with an appropriate level of risk. The success of this long-term investment strategy is evidenced by strong returns over sustained periods of time and the University's ability, in the face of current challenging markets, to limit losses.

Total revenues for the year ended June 30, 2002 were $243.3 million, while total expenses were $244.5 million, resulting in a decrease in net assets of $1.2 million. A $6.3 million deficiency existed, prior to a $5.1 million addition to the University's permanent endowment. Depreciation – a noncash expense – of $13.4 million contributed significantly to the $6.3 million loss from operating and nonoperating activities.

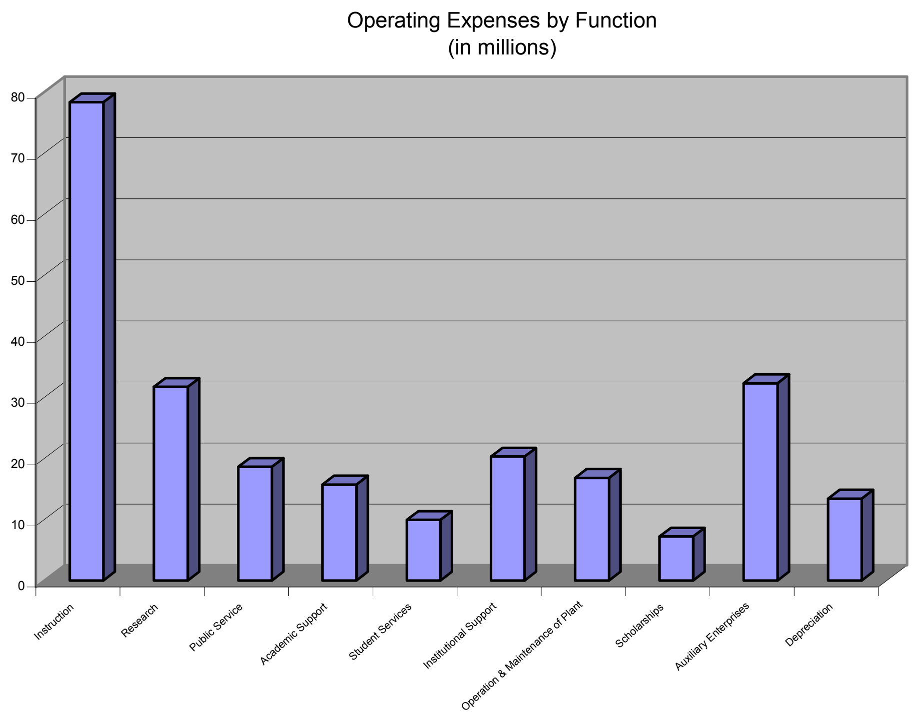
Total Revenues
(in millions)

Operating revenues	$ 116.1
Nonoperating revenues (net of nonoperating expense)	122.1
Additions to permanent endowments	5.1
Total revenues	$ 243.3

The chart below reflects total operating expenses by function, but it is also informative to review expenses by their natural (object) classification.

Total Operating Expenses
(in millions)

Compensation and benefits	$ 155.7
Supplies and support services	68.2
Scholarships	7.2
Depreciation	13.4
Total expenses	$ 244.5



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is another way to assess the financial health of the University of Wyoming. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the institution during the fiscal year. This statement helps financial statement readers assess:

- the institution's ability to generate future net cash flows
- its ability to meet its obligations as they come due and
- its needs for external financing

Statement of Cash Flows
For the Year Ended June 30, 2002
(in millions)

Cash provided (used) by:	
Operating activities	$ (109.0)
Noncapital financing activities	129.4
Investing activities	(8.7)
Capital and related financing activities	(27.5)
Net (decrease) in cash	(15.8)
Cash, beginning of the year	60.1
Cash, end of the year	$ 44.3

CAPITAL AND DEBT ACTIVITY

The University is currently developing a Capital Facilities Plan (CFP) as part of its ongoing effort to formalize institutional planning processes. The CFP follows the University's Academic and Support Services Plans and addresses a vision for the University and what facilities will be necessary to properly serve future generations of students and faculty. As the University grew during the past century, facilities were built to meet perceived needs, but at times with less attention placed on keeping core academic elements in close physical proximity. The CFP speaks to the overarching need to continue development of facilities with greater cohesiveness. In addition, it outlines a blueprint incorporating flexibility for future requirements.

The CFP anticipates using a variety of funding mechanisms to carry out the plan. Major projects identified within the plan will be funded through a combination of state legislative funding, private support, and University funds. Facilities supported through auxiliary operations will be funded by revenues generated within those operations. In the first year of the plan – 2003 – funding will be sought for a Health Sciences Complex.

Although the plan formalizes capital facilities needs and outlays in the future, the University has long recognized that one of the critical factors in continuing the quality of academic and research programs, as well as improving students' experience and environment, is a commitment to the development and renewal of its capital assets.

Toward that end, the following changes in capital assets took place during the year ended June 30, 2002:

- $10.5 million addition to construction in progress, primarily related to the renovation of the Wyoming Union and Washakie Center, bringing total construction in progress to $25 million.

- $10.5 million addition to other capital assets including land improvements; buildings; furniture, fixtures and equipment; and library materials, bringing total other capital assets to $412.8 million before accumulated depreciation.

The total cost of capital assets at June 30, 2002 was $443.8 million. Accumulated depreciation of $215.6 million results in net capital assets of $228.2 million.

There were no significant long-term debt additions for bonds and capital leases during the fiscal year. Normal, recurring debt service payments of $4.8 million reduced the balance of revenue bonds payable to $33.5 million.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

One of the most significant factors affecting the University of Wyoming's economic future is its partnership with the State of Wyoming. The University, together with the seven Wyoming community colleges, is central to the state's ability to meet the challenges it faces: economic development and good jobs that will keep workers in the state, a quality health care system that is essential to a robust economy and a quality education delivered by the public school system. It is essential for the state – and therefore, for the University – to develop the one true renewable resource: a steady supply of educated citizens who can create economic diversity and fill the dynamic new jobs that are created; who can form the backbone of a viable health care infrastructure; who can advance Wyoming's public education deep into the 21st century. The University with its strong financial foundation is poised to serve as a driving force for Wyoming's economic future.

There is a direct relationship between state support and the University's ability to control tuition growth, as any decline in state appropriations generally results in increased tuition to maintain programs. The University is facing a declining number of Wyoming high school graduates, a projection that is expected to continue for the next 10 years; therefore, state support will be very important. While the University will continue to diversify revenue sources whenever and wherever possible and to make enrollment management a high priority, our state legislative appropriations are essential to maintain the University's mission. An appropriate mix of tuition revenue and state support is essential to sustain program excellence and service to students, the research community, the State of Wyoming and its citizens.

The University has been successful in securing support from the Governor and the Legislature to meet the highest priority requests. State General Fund appropriations have increased by more than $72 million dollars, or 42%, over the last five years and efforts to positively influence the Governor and the Legislature to support the University's budget requests will be an ongoing priority.

Competitive pressures related to attracting and retaining faculty and staff will continue to affect the University's economic future as well. It is imperative that the University recruit and retain the best faculty and staff possible in order to maintain the quality of academic programs, research productivity, mentoring relationships between faculty and staff and to foster an environment of collaboration that distinguishes the University of Wyoming from so many others. While competitive salaries are at issue, employee benefits and increasing health care costs, including health insurance premiums, are on the forefront of management's concerns.

Support of the University's Capital Facilities Plan will also be a crucial element in the University's economic future. The manner in which the University will partner with the state to creatively combine University, state, and private resources to realize a vision of the future will certainly have an impact on UW's economic strength and financial condition.

The recently announced Distinction Campaign, led by the University of Wyoming Foundation, to increase the level of private funding will significantly increase endowed support for the University. While these funds will flow through the Foundation for the most part, the Foundation's mission to support the University of Wyoming will be realized in part by the efforts undertaken to raise $125 million by 2005. These efforts will be enhanced by the availability of an additional $30 million in state funds appropriated by the State Legislature in the 2001 session to match dollar-for-dollar any private gift of $50,000 or more dedicated to an endowed purpose as part of the Distinction Campaign. As of this date, slightly more than $17 million of the $30 million has been committed in response to gifts and pledges.

The University will continue to employ its long-term endowment investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from market volatility.

While it is not possible to predict future economic conditions and their ultimate effect on operations of the institution, management believes that the University of Wyoming's financial condition is strong enough to weather economic uncertainties. The University takes seriously its role of financial stewardship and works hard to manage its financial resources effectively.

UNIVERSITY OF WYOMING

STATEMENT OF NET ASSETS
June 30, 2002

ASSETS	
Current Assets	
Cash and cash equivalents	$ 42,592,782
Accounts receivable, net (Note 3)	8,781,035
Receivable from State of Wyoming	669,538
Investments (Note 2)	70,491,568
Interest receivable	461,215
Current portion of student loans receivable, net (Note 3)	3,595,996
Inventories	3,159,420
Prepaid expenses	1,204,482
Total current assets	130,956,036
Noncurrent Assets	
Restricted cash and cash equivalents	1,713,302
Investments	84,526,196
Prepaid expenses	450,954
Loans to students, net (Note 3)	15,352,430
Capital assets, net of accumulated depreciation (Note 4)	228,155,854
Total noncurrent assets	330,198,736
Total assets	461,154,772
LIABILITIES	
Current Liabilities	
Payroll and related liabilities	13,834,916
Accounts payable and accrued liabilities	5,652,573
Deferred revenue	7,112,631
Deposits held in custody for others	3,343,046
Accrued compensated absences	3,731,158
Current portion of revenue bonds payable (Note 5)	4,832,969
Current portion of capital lease obligations (Note 5)	215,881
Total current liabilities	38,723,174
Noncurrent Liabilities (Note 5)	
Payroll and related liabilities	1,223,056
Deferred revenue	80,000
Accrued compensated absences	3,731,158
Deposits held in custody for others	12,397,916
Due to State of Wyoming	425,292
Revenue bonds payable	28,665,519
Capital lease obligations	2,440,281
U.S. Government loans refundable	6,458,646
Total noncurrent liabilities	55,421,868
Total liabilities	94,145,042
NET ASSETS	
Invested in capital assets, net of related debt	197,189,875
Restricted for	
Nonexpendable	61,602,153
Expendable:	
Scholarships, research, instruction and other	11,590,397
Loans	28,036,458
Capital projects	4,708,375
Unrestricted	63,882,472
Total net assets	$ 367,009,730

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2002

Operating revenues (Note 11):	
Tuition and fees (net of scholarship allowances of $11,315,673)	$ 25,893,552
Federal appropriations	3,081,679
Federal grants and contracts	27,502,087
State and local grants and contracts	10,571,052
Nongovernmental grants and contracts	4,259,230
Mineral royalty	13,365,000
Sales and services of educational departments	5,627,470
Auxiliary enterprise charges (net of scholarship allowances of $2,846,254)	23,165,978
Interest earned on loans to students	238,517
Other operating revenues	2,376,268
Total operating revenues	116,080,833
Operating expenses:	
Instruction	78,304,645
Research	31,745,546
Public service	18,605,248
Academic support	15,732,938
Student services	9,974,108
Institutional support	20,323,142
Operation and maintenance of plant	16,845,260
Scholarships	7,234,717
Auxiliary enterprises	32,294,275
Depreciation	13,437,281
Total operating expenses	244,497,160
Operating (loss)	(128,416,327)
Nonoperating revenues (expenses):	
State appropriations	109,686,440
Gifts	12,160,210
Investment income	1,737,480
Interest expense	(1,459,567)
Other nonoperating revenues (expenses)	(51,311)
Net nonoperating revenues	122,073,252
(Loss) before other revenues, expenses, gains and losses	(6,343,075)
Additions to permanent endowments	5,149,698
Net (decrease) in net assets	(1,193,377)
Net assets	
Net assets - beginning of year (as restated)	368,203,107
Net assets - end of year	$ 367,009,730

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS
Year Ended June 30, 2002

Cash Flows from Operating Activities	
Received from customers	$ 121,061,362
Payments to employees and fringe benefits	(154,601,354)
Payments to vendors and suppliers	(65,501,481)
Payments for scholarships	(7,234,717)
Loans issued to students	(3,808,056)
Collection of loans to students	2,704,604
Other receipts	25,210,581
Other payments	(26,830,657)
Net cash (used in) operating activities	(108,999,718)
Cash Flows from Noncapital Financing Activities	
State appropriations	112,302,605
Gifts for other than capital purposes	17,083,973
Net cash provided by noncapital financing activities	129,386,578
Cash Flows from Investing Activities	
Purchases of investments	(277,748,384)
Proceeds from sales and maturities of investments	261,489,870
Interest received on investments	7,575,979
Net cash (used in) investing activities	(8,682,535)
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(20,632,340)
Proceeds from sale of capital assets	123,561
Repayments of capital debt and leases	(5,134,660)
Interest paid on capital debt and leases	(1,874,043)
Net cash (used in) capital and related financing activities	(27,517,482)
Net (decrease) in cash and cash equivalents	(15,813,157)
Cash and cash equivalents:	
Beginning of year	60,119,241
End of year	$ 44,306,084

Continued

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2002

Reconciliation of Operating (Loss) to Net Cash	
(Used in) Operating Activities	
Operating (loss)	$ (128,416,327)
Adjustments to reconcile operating (loss) to net	
cash (used in) operating activities:	
Depreciation expense	13,437,281
Provision for uncollectible loans and write-offs	1,819,403
Miscellaneous nonoperating income	19,239
Changes in assets and liabilities:	
Receivables, net	(1,538,841)
Inventories	330,898
Prepaid expenses	1,772,534
Notes receivable, net	(1,103,452)
Accounts payable and accrued liabilities	1,380,087
Deferred revenue	4,713,195
Deposits held in custody for others	(1,610,335)
U.S. Government loans refundable	(28,979)
Accrued compensated absences	225,579
Total adjustments	19,416,609
Net cash (used in) operating activities	$ (108,999,718)
Noncash Investing, Capital, and Financing Activities	
Fixed assets acquired by incurring capital lease obligations	$ 59,573
Change in fair value of investments	$ (6,939,020)

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of operations: The University of Wyoming (the "University") is a public land grant research university dedicated to serving as a statewide resource for accessible and affordable higher education of the highest quality, rigorous scholarship, technology transfer, economic and community development, and responsible stewardship of the state's cultural, historical, and natural resources. The University is committed to outreach and service that extend our human talent and technological capacity to serve the people in our communities, our state, the nation, and the world.

Reporting entity: The University is a component unit of the State of Wyoming and is included in the general-purpose financial statements of the State of Wyoming.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The Cowboy Joe Club is a component unit of the University because it is organized for the purpose of supporting University athletic programs and is managed by the University Athletic Department. Although it is a legally separate organization, it is reported as if it were a part of the University.

Financial statement presentation: In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.* This was followed in November 1999, by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* Implementation of Statement No. 34 for the year ended June 30, 2002, coincides with the State of Wyoming's Statement No. 34 implementation. The financial statement presentation required by Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

Significant accounting changes made in order to comply with the new requirements include: (1) adoption of depreciation on capital assets; (2) tuition and fee revenue shown net of scholarship allowances; and (3) summer session revenue allocated between fiscal years so that expenses are matched with the revenue.

Basis of accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments: The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Accounts receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are presented net of estimated uncollectible amounts.

Inventories: Inventories of merchandise and supplies are carried at the lower of cost (first-in, first-out) or market. Livestock inventory is stated at estimated net realizable value.

Noncurrent cash and investments: Cash and investments that are externally restricted to make debt service payments (for the noncurrent portion of debt) to make Advanced Payments of Higher Education Costs (for the noncurrent portion of the APHEC liability) or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

Capital assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 to 30 years for infrastructure and land improvements, 10 years for library materials, and 3 to 7 years for equipment.

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred revenue: Deferred revenue consists primarily of amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement. Deferred revenue also includes amounts received in advance of an event, such as student tuition and advance ticket sales related to future fiscal years.

Compensated absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

Noncurrent liabilities: Noncurrent liabilities include: (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net assets: The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Classification of revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, state and local grants and contracts and Federal appropriations, and (4) interest on student loans.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for the goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Accounting changes: As a result of the adoption of GASB Statement No. 34, the University was also required to make certain changes in accounting principles, specifically: (1) adoption of depreciation on capital assets, (2) recording of certain summer session revenues between fiscal years rather than the fiscal year in which the session was predominantly conducted, and (3) reporting of deferred revenues for grants and contracts. Net assets at July 1, 2001 were reduced by $185,085,977 for the cumulative effect of these changes on years prior to fiscal year 2002.

New pronouncements: In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the University is not financial accountable should be reported as component units based on the nature and significance of their relationship with the University. Generally, it requires reporting as a component unit, an organization that raises and holds economic resources for the direct benefit of the University. GASB Statement No. 39 is effective for the year ending June 30, 2004.

The University is studying the provisions of GASB Statement No. 39 and has not yet determined what effect the Statement will have on the presentation of the financial statements.

Note 2. Deposits with Financial Institutions and Investments

The statutes of the State of Wyoming authorize agencies of the State to deposit public funds in financial institutions authorized to do business in the State of Wyoming. These deposits must be fully insured by Federal Deposit Insurance Corporation (FDIC) or secured by a pledge of assets including any bonds, debentures and other securities in which the State Treasurer may by law invest or a depository may pledge conventional real estate mortgages and notes connected with mortgages at a ratio of one and one-half to one of the value of public funds secured by the securities.

At June 30, 2002, the University had $27,670,091 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At June 30, 2002, the carrying amount of the University's deposits, other than the amounts on deposit with the State Treasurer, was $16,635,993, and the bank balances were $22,063,181, which are categorized below to give an indication of the level of credit risk assumed by the University.

Category I: Includes amounts insured by the Federal Deposit Insurance Corporation.

Category II: Collateralized with securities held by the pledging institution's trust department or agent in the University's name.

Category III: Uncollateralized deposits.

	Category			Carrying Value
	I	II	III	Bank Balance
Deposits	$ 300,000	$ 19,363,181	$ -	$ 19,663,181
Certificates of deposit	-	2,400,000		2,400,000
	$ 300,000	$ 21,763,181	$ -	$ 22,063,181

The University has authority to invest endowment funds in equity or nonequity investments. At June 30, 2002, these investments are categorized below to give an indication of the level of credit risk assumed by the University.

The statutes of the State of Wyoming authorize agencies of the State to invest public funds in U.S. Treasury bills, notes, bonds or other obligations, which are unconditionally guaranteed or insured by the U.S. Government, or an agency thereof.

Category I: Includes investments that are insured, registered, or held by the University or its agent in the University's name.

Category II: Includes uninsured and unregistered investments, which are held by the counterparty, or by its trust department or agent in the University's name.

Category III: Includes uninsured and unregistered investments, which are held by the counterparty, or by its trust department or an agent but not in the University's name.

Investments held by the State Treasurer, mutual funds, land and other investments are not categorized below, as they are not evidenced by a physical security and, therefore, do not correlate to the categories listed above. Detailed information on the State Treasurer's pooled investments is available from that office.

	Category I	Category II	Category III	Carrying Amount	Fair Value
Stocks, bonds and debentures	$ 28,792,999	$ -	$ -	$ 28,792,999	$ 28,792,999
U.S. Government securities	5,532,282	79,047,211	-	84,611,835	83,918,289
Mutual funds	-	-	-	5,459,198	5,459,198
Land	-	-	-	1,243,890	5,447,028
Treasurer	-	-	-	19,304,553	19,304,553
Money market mutual fund	-	-	-	4,627,000	4,627,000
Other	-	-	-	8,578,289	8,578,289
	$ 34,325,281	$ 79,047,211	$ -	$152,617,764	$156,127,356

The University invests in common stocks and bonds of publicly-traded companies, U.S. Government obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Note 3. Loans and Accounts Receivable

Loans receivable: Approximately 60% of loans receivable are loans made under medical school contracts. These are loans made to students for the completion of medical school and contain special clauses regarding repayment. The standard repayment terms under these medical school contracts are as follows:

Contracts prior to the 1993-1994 school year: Payments consist of 96 equal monthly installments with no interest accruing unless a scheduled payment is missed, and then the interest accrues at the maximum rate allowed by law.

The outstanding principal balance of loans made under medical school contracts is canceled if residency is completed at one of the eligible clinics in the State of Wyoming or upon practicing full-time medicine in the State of Wyoming. The balance is canceled at a rate of one-third of original principal balance per year for each year of residency or practice of full-time medicine in the State of Wyoming.

Contracts for the 1993-1994 school year and thereafter: Payments consist of 96 equal monthly installments with interest accruing at an annual rate of 8% starting four years after the student enters into an agreement. If any scheduled payment is missed, the interest accrues at the maximum rate allowed by law.

The outstanding principal balance of loans made under medical school contracts is canceled upon practicing full-time medicine in the State of Wyoming. The balance is canceled at a rate of one-third of original principal balance plus accrued interest per year for each year of practicing full-time medicine in the State of Wyoming.

Under all contracts, repayment is to begin one year subsequent to the student failing to be enrolled in either a fully accredited medical school, a qualifying internship, a residency program or a fellowship.

Medical student loan cancellations are considered a reduction in the net assets when the student completes the contractual responsibilities for in-state service.

The balance of loans receivable also include other types of student loans which may contain similar repayment and cancellation features.

An allowance for doubtful accounts is provided for the estimated amount of loans which the University will be unable to collect, excluding any cancellation under programs noted above.

Accounts receivable: Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statement of net assets at June 30, 2002 as follows:

Accounts receivable	$ 9,286,192
Less allowance for doubtful accounts	(505,157)
Accounts receivable, net	$ 8,781,035

Included in the amounts above is $6,632,000, which is due from the U.S. Government at June 30, 2002.

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2002:

	Balance June 30, 2001	Additions	Transfers	Retirements	Balance June 30, 2002
Capital assets not being depreciated:					
Land	$ 3,672,472	$ -	$ -	$ -	$ 3,672,472
Land Improvements	2,280,468	29,741	-	-	2,310,209
Construction in progress	17,533,334	10,464,552	(3,032,129)	-	24,965,757
Total capital assets not being depreciated	$ 23,486,274	$ 10,494,293	$ (3,032,129)	$ -	$ 30,948,438
Other capital assets:					
Infrastructure	$ 11,868,427	$ -	$ 63,565	$ -	$ 11,931,992
Land improvements	2,755,782	728,685	-	-	3,484,467
Buildings	271,253,382	1,403,131	2,968,564	-	275,625,076
Furniture, fixtures and equipment	62,775,647	5,579,648	-	(1,802,062)	66,553,233
Library materials	52,362,775	2,844,833	-	-	55,207,608
Total other capital assets	401,016,013	10,556,297	3,032,129	(1,802,062)	412,802,377
Less accumulated depreciation for:					
Infrastructure	(8,093,424)	(594,857)	-	-	(8,688,281)
Land improvements	(2,182,838)	(116,470)	-	-	(2,299,307)
Buildings	(105,926,126)	(5,323,934)	-	-	(111,250,060)
Furniture, fixtures and equipment	(46,329,763)	(4,991,371)	-	1,607,951	(49,713,183)
Library materials	(41,233,481)	(2,410,649)	-	-	(43,644,130)
Total accumulated depreciation	(203,765,632)	(13,437,281)	-	1,607,951	(215,594,962)
Other capital assets, net	$197,250,381	$ (2,880,984)	$ 3,032,129	$ (194,111)	$197,207,415
Capital asset summary:					
Capital assets not being depreciated	$ 23,486,274	$ 10,494,293	$ (3,032,129)	$ -	$ 30,948,438
Other capital assets, at cost	401,016,013	10,556,297	3,032,129	(1,802,062)	412,802,377
Total cost of capital assets	424,502,287	21,050,590	-	(1,802,062)	443,750,815
Less accumulated depreciation	(203,765,632)	(13,437,281)	-	1,607,951	(215,594,962)
Capital assets, net	$220,736,655	$ 7,613,309	$ -	$ (194,111)	$228,155,854

Note 5. Long-Term Liabilities, Bonds Payable and Capital Leases

Long-term liability activity for the year ended June 30, 2002 was as follows:

	Balance June 30, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds payable	$ 38,386,457	$ -	$ (4,887,969)	$ 33,498,488	$ 4,832,969
Capital lease obligations	2,843,281	59,573	(246,692)	2,656,162	215,881
Total bonds and capital leases	41,229,738	59,573	(5,134,661)	36,154,650	5,048,850
Other liabilities:					
Deferred revenue	2,479,435	6,666,293	1,953,097	7,192,631	7,112,631
Payroll and related liabilities	13,993,235	194,400,544	193,335,807	15,057,972	13,834,916
Accrued compensated absences	7,236,736	5,164,119	4,938,539	7,462,316	3,731,158
Deposits held in custody for others	17,351,298	-	1,610,334	15,740,964	3,343,046
Due to State of Wyoming	425,292	-	-	425,292	-
U.S. Government loans refundable	6,487,626	-	28,980	6,458,646	-
Total other liabilities	47,973,622	206,230,956	201,866,757	52,337,821	28,021,751
Total long-term liabilities	$ 89,203,360	$206,290,529	$ 196,732,096	$ 88,492,471	$ 33,070,601

Revenue bonds payable represent the remaining principal payments on bonds used for construction of facilities. Revenue from the operations of residence halls, apartments, cafeterias, dining halls, other food service facilities, bookstore and telecommunications; income from other sales and services; income from the University Permanent Land Fund and mineral royalties from the University Government Royalty Fund are pledged for the retirement of the Facilities Refunding Revenue Bonds Series 1993, 1994, the Facilities Improvement and Refunding Revenue Bonds Series 1999, and the Facilities Improvement Revenue Bonds Series 2001.

Revenue bonds payable consist of the following at June 30, 2002:

	Authorized and Issued	Interest Rates	Bonds Outstanding at June 30, 2002
Facilities Refunding Revenue Bonds:			
Series 1993	$ 9,195,000	3.5-5.5%	$ 4,360,000
Series 1994	9,715,000	5.25-5.3%	3,175,000
Facilities Improvement and Refunding Revenue Bonds:			
Series 1999	18,760,000	3.8-5.5%	16,655,000
Facilities Improvement Revenue Bonds:			
Series 2001	9,120,000	4.0-5.5%	9,120,000
	$ 46,790,000		33,310,000
Original issue discount/premium			188,488
			$ 33,498,488

Maturities and interest on bonds payable for the next five years and thereafter is as follows:

	Principal	Interest
2003	$ 4,815,000	$ 1,650,469
2004	1,880,000	1,452,360
2005	1,960,000	1,368,570
2006	2,065,000	1,279,410
2007	2,150,000	1,183,835
2008-2012	9,480,000	4,252,560
2013-2017	6,865,000	2,264,338
2018-2020	4,095,000	382,875
	$ 33,310,000	$ 13,834,417

The University leases an airplane under a capital lease. The asset and related liability were recorded at the present value of the future payments due under the lease as determined using a 7.5% interest rate. The University is leasing scoreboards for the football and basketball venues. The assets and related liabilities were recorded at the present value of the future payments due under the lease as determined using a 9% interest rate. The University is also leasing other physical plant equipment under capital lease agreements. The assets and related liabilities of the other equipment were recorded at the present value of future payments due under the lease as determined using a 7% interest rate.

The following is a schedule of future minimum lease payments due under the capital leases, together with the net present value of the minimum lease payments, as of June 30, 2002:

	Airplane	Scoreboards	Other Equipment	Total
2003	$ 144,920	$ 215,247	$ 43,677	$ 403,844
2004	144,920	215,247	15,917	376,084
2005	144,920	215,247	15,917	376,084
2006	144,920	215,247	9,284	369,451
2007	144,920	215,247	-	360,167
2008-2012	724,600	681,616	-	1,406,216
2013-2017	458,913	-	-	458,913
Total minimum lease payments	1,908,113	1,757,851	84,795	3,750,759
Less amount representing interest	(568,163)	(516,168)	(10,266)	(1,094,597)
Net present value of minimum lease payments	$ 1,339,950	$ 1,241,683	$ 74,529	$ 2,656,162

The cost of assets acquired under capital lease is $3,248,384. Accumulated amortization as of June 30, 2002 is $861,350. Amortization of leased assets is included in depreciation expense.

Note 6. Risk Management

The University is exposed to various risks of loss including torts, theft of, damage to, or destruction of assets, and teachers' liability. The University has purchased commercial insurance for these risks that include insurance for property and liability. Settlements have not exceeded insurance coverage in any of the last three fiscal years. The uninsured risk retention per occurrence/aggregate is \$100,000/\$200,000 for property and ranges from \$50,000/\$1,000,000 for various liability risks.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

Following is a reconciliation of the unpaid claims liability for the years ended June 30, 2002 and 2001:

	2002	2001
Unpaid claims, beginning of fiscal year	**\$ 255,020**	\$ 255,000
Claims incurred	**307,842**	202,424
Claims paid	**(307,842)**	(202,404)
Unpaid claims liability, end of fiscal year	**\$ 255,020**	\$ 255,020

The University participates in the State of Wyoming employee medical, life and dental insurance program that is co-administered with a third-party health provider/claim service company. The State self-insures medical and dental costs and assumes all the risk for claims incurred by plan participants. The State does not retain any risk of loss for the life insurance plan as the insurance provider assumes all the risk for claims incurred by participants.

The State contributes up to \$301 a month for insurance premiums for each covered participant towards these plans. Participants are responsible for paying premium charges in excess of this amount.

The University also participates in two State of Wyoming risk management programs: Workers' Compensation Act and Unemployment Compensation Act.

Wyoming Statute §27-14-101 created the Wyoming Workers' Compensation Act which is administered by the State of Wyoming. This Act requires the University to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. Amounts paid by the University to the State for workers' compensation during fiscal year 2002 was \$1,226,845.

Wyoming Statute §27-3-101 created the Unemployment Compensation Act. The University pays the State expense reimbursement for unemployment claims brought against the University. Changes in the balance of claims liability during fiscal years 2002 and 2001 are as follows for the University's participation in the Unemployment Compensation Act program:

	2002	2001
Unpaid claims, beginning of fiscal year	**$ -**	$ -
Claims incurred	**74,284**	73,596
Claims paid	**(74,284)**	(73,596)
Unpaid claims liability, end of fiscal year	**$ -**	$ -

Note 7. Related Organization and Party

Related organization: The Board of Trustees is responsible for appointing the members of the Board of Directors of The University of Wyoming Research Corporation d/b/a Western Research Institute (WRI) but as the University's accountability does not extend beyond making these appointments, WRI is not included in these financial statements.

Related party: The University of Wyoming Foundation (the "Foundation") is a not-for-profit corporation formed to promote the welfare, development, growth and well-being of the University. The Foundation operates independently from the University, but supports University activities. During the year ended June 30, 2002, approximately $6,500,000 was transferred to the University in support of its activities and was reflected in the University's financial statements as nonoperating revenue.

Note 8. Commitments and Contingencies

The University has contracted and/or appropriated funds for the planning and construction or maintenance of several facilities with an aggregate cost of approximately $39,155,000. As of June 30, 2002, the remaining commitment to complete these projects totaled approximately $14,585,000. These completion costs will be financed by a combination of State appropriations, private gifts and grants, and student fees.

Amounts expended under the terms of certain grants and contracts are subject to audit and possible adjustment by governmental agencies. In the opinion of University management, any adjustments will not have a material effect on the accompanying financial statements.

The University is a defendant in several lawsuits including various claims related to its normal operations. The University believes that final settlement of matters not covered by insurance will not materially affect its financial condition.

Note 9. Retirement and Pension Plans

Eligible University employees have the option of participating in either the Wyoming Retirement System (WRS) or Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). WRS is a cost-sharing, multiple-employer public employee defined benefit, contributory retirement plan. TIAA-CREF is a defined contribution plan.

Participants in WRS who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. WRS also provides death and disability benefits. Benefits are established by State statutes. The WRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, Herschler Building, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

Statutes require that 11.25% of the covered employee's salary be contributed to the plan, one-half by the employee and the other half by the employer. The University contributes the employee and employer portion funded primarily through appropriations from the State Legislature. For the years ended June 30, 2000, 2001 and 2002, the University's contributions to the WRS were $4,573,268, $4,663,409 and $4,546,166, respectively, which equals the required contribution for the years then ended.

As previously noted, some employees opt to participate in TIAA-CREF, which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. TIAA-CREF also requires contributions of 11.25% of participating employees' salaries. Like WRS, statutes require that contributions be funded by both the employer and employee and the University has elected to fund the employee portion. Contributions are funded as accrued and are immediately vested. The contributions for the years ended June 30, 2000, 2001 and 2002 were $6,041,600, $6,662,555 and $6,989,770, respectively.

The Wyoming Legislature enacted legislation allowing certain State employees to elect early retirement. The early retirement option was available to employees making the election between April 1, 1995 and June 30, 1995 with up to a two-year delay in the effective retirement date.

All retiring eligible employees under the legislation who were not yet age 61 receive 20% of their salary until they reach age 62. All retiring eligible employees were entitled to a medical benefit not to exceed $215 per month until they reach age 65.

To participate in the early retirement option under the legislation, the employee had to make the election to retire between April 1 and June 30, 1995 and be approved by the President of the University.

The liability for the installment distributions is an amount equal to the present value of the future payments discounted at 8%. Total liability as of June 30, 2002 is $478,195.

Presented below is a summary of installment distributions due former employees:

	Termination Benefits Due Former Employees
Fiscal year ending:	
2003	$ 267,031
2004	113,093
2005	58,944
2006	27,742
2007	8,520
2008	2,865
	$ 478,195

The University has a post-employment retirement program called "Board Retirees." To qualify for the program, an employee must meet one of the following two criteria at the time of retirement:

1. Be age 60 or over and have 15 years or more of consecutive service, or
2. 25 years of service.

If the individual meets one of the above criteria and has unused sick leave time, the sick leave time can be converted into health insurance premiums up to a maximum of three years worth of premiums. The conversion of sick leave time to health insurance premiums is five days of unused sick leave converts to one and a half months of premiums up to a $301 per month premium. The premium is paid by the University as it is incurred on a monthly basis. Total amount charged to expense for the year ended June 30, 2002 was $161,752, and total liability accrued for at June 30, 2002 is $1,161,952.

Note 10. Natural Classifications with Functional Classifications

The University's operating expenses by natural classification were as follows:

	Natural Classification				
Functional Classification	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
Instruction	$ 66,420,365	$ 11,884,280	$ -	$ -	$ 78,304,645
Research	21,070,957	10,674,589	-	-	31,745,546
Public service	13,887,498	4,717,750	-	-	18,605,248
Academic support	11,721,465	4,011,472	-	-	15,732,937
Student services	5,101,515	4,872,594	-	-	9,974,109
Institutional support	16,116,753	4,206,389	-	-	20,323,142
Operation of plant	7,603,079	9,242,181	-	-	16,845,260
Scholarships	-	-	-	7,234,717	7,234,717
Auxiliary enterprises	13,696,175	18,598,100	-	-	32,294,275
Depreciation	-	-	13,437,281	-	13,437,281
Total expenses	$155,617,807	$ 68,207,355	$ 13,437,281	$ 7,234,717	$244,497,160

Note 11. Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 35. Included in this segment are operations of residence halls, apartments, cafeterias, dining halls, other food service facilities, bookstore and telecommunications in addition to revenues from other sales and services, University Permanent Fund, and mineral royalties.

Condensed Statement of Net Assets

Assets:	
Current assets	$ 42,600,790
Noncurrent assets	732,728
Total assets	$ 43,333,518
Liabilities:	
Current liabilities	$ 7,428,073
Noncurrent liabilities	149,904
Total liabilities	$ 7,577,977
Net assets:	
Invested in capital assets, net of related debt	$ 254,152
Restricted for maintenance required by bond resolution	500,000
Restricted for capital projects	2,021,858
Unrestricted	32,979,531
Total net assets	$ 35,755,541

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	
Operating revenues:	
Sales	$ 12,243,155
Rents and fees	12,201,757
Nonenterprise revenue	14,265,000
Miscellaneous	221,730
Total operating revenues	38,931,642
Operating expenses:	
Operating expenses	20,687,027
Depreciation	78,032
Total operating expenses	20,765,059
Operating income	18,166,583
Nonoperating revenues, investment income	3,618,547
Nonoperating expenses and other items:	
Interest on indebtedness	1,874,042
Retirement of indebtedness	4,870,000
Expanded for plant facilities	6,656,645
Mandatory transfers	226,967
Nonmandatory transfers	6,991,376
Total nonoperating expenses and other items	20,619,030
Increase in net assets	1,166,100
Net assets, beginning of year (as restated)	34,589,441
Net assets, end of year	$ 35,755,541
Condensed Statement of Cash Flows	
Net cash provided by operating activities	$ 21,487,624
Net cash (used in) capital financing activities	(19,021,492)
Net cash from noncapital financing activities	(7,218,343)
Net cash provided by investing activities	9,840,836
Net increase in cash	5,088,625
Cash and cash equivalents, beginning of year	29,045,064
Cash and cash equivalents, end of year	$ 34,133,689

Note 12. Accounting Change

As a result of GASB Statement No. 34 and No. 35, the University was required to make changes in accounting principles. Net assets at July 1, 2001 were reduced by $185,085,977 for the cumulative effect of these changes on years prior to fiscal year 2002.

Net assets, as originally reported	$ 553,289,084
Change in equipment capitalization policy	(25,714,479)
Recognition of library materials as an asset, net of accumulated depreciation	11,129,294
Recognition of accumulated depreciation on property and equipment as of July 1, 2001	(162,532,151)
Deferral of summer session revenue and other deferred revenue	(1,509,995)
Reclassification of U.S. Government loans refundable as a liability	(6,458,646)
Net assets, as restated	$ 368,203,107