UNIVERSITY OF WYOMING

FINANCIAL REPORT

JUNE 30, 2004

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, 2004, 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 did not audit the financial statements of the University of Wyoming Foundation, which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Wyoming Foundation component unit, is based on the report of the other auditors.

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, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2004, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's discussion and analysis on pages 2 through 15, 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 5, 2004

UNIVERSITY OF WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

INTRODUCTION

The following unaudited Management's Discussion and Analysis (MD&A) is required supplemental information, and is designed to assist readers in understanding the accompanying financial statements required by the standards of the Governmental Accounting Standards Board (GASB). This discussion and analysis provides an overview of the University of Wyoming's financial position and activities for the fiscal year ended June 30, 2004, and has been prepared by management to be read in conjunction with the financial statements and the notes thereto, which follow this section.

The MD&A presents and discusses 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 University's financial statements as a whole; discrete presentation is not required.

For the first time in the University of Wyoming's history, the Financial Report includes the University of Wyoming Foundation. The Foundation is reported as a component unit based on the nature and significance of their relationship with the University. Governmental Accounting Standards Board (GASB) Statement No. 39 generally 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 was issued in May 2002, and was effective beginning with the fiscal year ended June 30, 2004. The University has worked closely with the Foundation to ensure that information required to be included in the University's statements is consistent with accounting principles prescribed by generally accepted accounting standards. The Foundation's financial statements are presented with the University's financial statements and a total column combining both entities is presented. Activity between the University and the Foundation has been eliminated in the Financial Report. Management's Discussion and Analysis focuses primarily on the University of Wyoming and Cowboy Joe Club activities.

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.

FINANCIAL STATEMENTS OVERVIEW

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 GASB principles. 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, beginning with the fiscal year ended June 30, 2002.

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 34/35 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.

For comparison purposes, fiscal year 2003 information is presented below. The accompanying financial statements however, contain fiscal year 2004 information only, due to the implementation of GASB 39. Since this is the first year the Foundation is included in the financial statements, a comparison to the prior year is not possible. A brief explanation of significant financial reporting components follows.

Revenues and expenses are categorized as either operating or nonoperating and a net income or loss from operations is displayed. Significant recurring sources of the University's revenues, including state appropriations, gifts, and investment income (loss) expended for operations are considered nonoperating revenues according to definitions prescribed by GASB. These diversified revenue streams are critically important sources of funds used to supplement tuition and fee revenue, federal and state grants and contracts, sales and services of University educational departments, and auxiliary enterprise charges in the delivery of University of Wyoming programs and services. In fiscal year 2004, revenues categorized as nonoperating funded nearly 52% of the University's regular operating expenses.

Under this required reporting format, operating expenses will always exceed operating revenues and the Statement of Revenues, Expenses and Changes in Net Assets will reflect a loss from operations every year. For the fiscal year ended June 30, 2004, operating revenues totaled $144.3 million, operating expenses were $287.8 million, resulting in a loss from operations of $143.5 million. Nonoperating revenues totaled $150.9 million, while nonoperating expenses, consisting primarily of interest expense, totaled $1.9 million. As a result, income before other revenues (state appropriations restricted for capital purposes and additions to permanent endowments) is $5.5 million.

Scholarships and fellowships applied to student accounts are shown as a reduction of student tuition and auxiliary service revenues, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. For the year ended June 30, 2004, scholarships and fellowships totaled $23 million, of which $14.7 million represents amounts applied to student accounts, as defined by GASB 34/35, while $8.3 million was paid directly to students.

Instead of reflecting expenditures for purchases of capital assets, the recognition of **depreciation expense** on capital assets is recorded. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements. For the year ended June 30, 2004, capital assets (net of depreciation) increased by $10.6 million to a total of $252.8 million. Depreciation expense totaled $14 million.

Deferred revenue consists primarily of unexpended cash advances received from contract and grant sponsors, which have not yet been earned under the terms of the agreements. It also includes amounts received in advance, including student tuition and advance ticket sales. Deferred revenue as of June 30, 2004, was $6.8 million, a decrease of $1.2 million from the 2003 level.

FINANCIAL HIGHLIGHTS

- The assets of the University exceeded liabilities as of June 30, 2004, by $406.5 million. These **net assets** represent the residual interest in the University's assets after liabilities are deducted, and are one indicator of the current financial condition of the University. Of the $406.5 million in total net assets, $212.6 million (net of related debt) is invested in capital assets, $150.3 million is restricted as to use ($84.9 million is nonexpendable – endowments required to be retained in perpetuity – and $65.4 million is expendable for scholarships, research, instruction, loans or capital projects), while $43.6 million (unrestricted net assets) may be used to meet ongoing obligations.

- The University's net assets increased by $29 million this fiscal year. An increase in net assets over time is one indicator of an institution's improving financial health. The components of this increase are discussed in further detail in the Statement of Net Assets section below. The State of Wyoming's matching program for the University of Wyoming's DISTINCTION Campaign contributed over $7 million this year to the University's permanent endowment and state appropriations restricted for capital purposes added $16.4 million to the net asset increase. Together, this state support accounts for over 80% of this year's improvement in financial condition.

STATEMENT OF NET ASSETS

The Statement of Net Assets reflects the University's financial and capital resources. This statement presents the financial position of the University at the end of the fiscal year, includes all assets and liabilities of the University, and segregates the assets and liabilities into current and noncurrent components. As noted above, the difference between assets and liabilities – net assets – is displayed in three components: invested in capital assets (net of related debt); restricted; and unrestricted.

- **Invested in capital assets (net of related debt)** represents the University's total investment in capital assets, at historical costs, in property, plant, equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.
- **Restricted net assets (nonexpendable)** 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 be either expended or added to principal. **Restricted net assets (expendable)** include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external parties and/or donors.
- **Unrestricted net assets** represent all other funds available to the institution, which may be used for the operation of the University at the discretion of the governing board.

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.

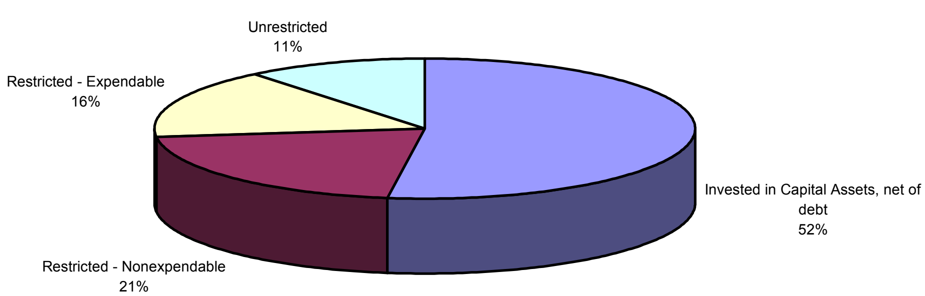
The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received or paid. Assets and liabilities are generally measured using current values; one notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A condensed Statement of Net Assets at June 30, 2003 and 2004, as well as a graphic display of the net asset categories as of June 30, 2004, is presented below.

Statement of Net Assets
(in millions)

	2004	2003
Current Assets	$ 124.3	$ 124.7
Noncurrent Assets:		
Investments	114.4	89.7
Capital assets, net of accumulated depreciation	252.8	242.2
Other assets	24.4	18.2
Total Assets	**515.9**	**474.8**
Current Liabilities	46.7	41.3
Noncurrent Liabilities	62.7	56.0
Total Liabilities	**109.4**	**97.3**
Net Assets:		
Invested in capital assets, net of related debt	212.6	211.1
Restricted:		
Nonexpendable	84.9	70.8
Expendable	65.4	38.9
Unrestricted	43.6	56.7
Total Net Assets	**$ 406.5**	**$ 377.5**

Net Assets - June 30, 2004



The 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, sensible management of its endowments and investments, and conservative utilization of debt.

Total Assets

Total assets increased by $41.1 million during fiscal year 2004 to a total of $515.9 million. In fiscal year 2003, they increased $13.7 million to $474.8 million. Total assets include both current assets (generally considered to be convertible to cash within one year) and noncurrent assets. Current assets remained virtually unchanged between 2003 ($124.7 million) and 2004 ($124.3 million), while noncurrent assets increased by $41.5 million - nearly 12% - from $350.1 million to $391.6 million.

Investments

Contributing to the 2004 total asset increase was a $24.7 million increase in noncurrent investments, due for the most part to the DISTINCTION Campaign state matching gifts, a healthy increase in investment income (including realized and unrealized gains on investments), and unexpended 2004 bond proceeds. Additions to permanent endowments in 2004 were $7.1 million versus $9.2 million in 2003 and investment income nearly doubled from $6.3 million in 2003 to $12.4 million in 2004 as the financial markets continued to show improved performance results this fiscal year. $10 million of the 2004 $11.1 million bond issue was unexpended and invested at June 30, 2004 as construction continued on the College of Health Sciences Center and the first phase of residence halls renovation was slated to begin.

Capital Assets

A $10.6 million net increase in capital assets added to the 2004 increase in total assets. In 2003, capital assets increased by $14 million. The renovation of Washakie Dining Center increased 2003 capital assets by $9.4 million and substantial completion of the project this year added slightly less than $1 million.

Renovation construction began in earnest this year on the Biochemistry building as it transforms into the new College of Health Sciences, resulting in a $6.3 million increase in the construction in progress portion of 2004 capital assets. Together with the initial construction work in 2002 and 2003, the College of Health Sciences Center project expenditures total $7.6 million.

Repairs and renovations commenced at War Memorial Stadium: $2.9 million has been expended this fiscal year on that important effort. And work is beginning on other Capital Facilities Plan projects, including renovation of the residence halls and the Education Annex as well as construction of the new Early Care and Education Center. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements.

Other Assets

Other noncurrent assets such as restricted cash, receivables from the State of Wyoming and prepaid expenses, increased $6.2 million from $18.2 million in 2003 to $24.4 million in 2004.

Total Liabilities

Total liabilities are also categorized as current and noncurrent. Total liabilities increased by $3.2 million during fiscal year 2003 to a total of $97.3 million; and they increased $12.1 million in 2004 to $109.4 million. University liabilities include payroll and deposit liabilities, accounts payable, deferred revenue, accrued compensated absences (vacation pay), deposits held in custody for others, U.S. government loans refundable (which represents amounts provided by the U.S. Department of Education which would be refundable should the University of Wyoming cease to participate in the campus-based revolving loan program), capital lease obligations and revenue bonds payable. The majority of this year's increase in liabilities is attributable to a $9.2 million increase in revenue bonds payable. More detailed information is contained in the Capital and Debt Activity section of this discussion and analysis and in Note 5 to the Financial Statements.

Current Liabilities

Current liabilities (amounts which become due and payable in cash or services within the 12 months following June 30) increased by $2.6 million in 2003 to $41.3 million and by $5.4 million in 2004 to $46.7 million. Current payroll and related liabilities account for nearly $2 million of the increase, while deposits held in custody for others, for example student apartment and residence hall deposits, increased by over $3 million.

Noncurrent Liabilities

Last year, noncurrent liabilities increased by less than $1 million to a total of $56 million. This year a net increase of $6.7 million resulted in total noncurrent liabilities of $62.7 million. The above-mentioned increase in revenue bonds payable ($9.2 million) was offset by decreasing liabilities for deposits held in custody for others (for example the Advanced Payment of Higher Education Costs program), post-employment benefit and capital lease obligations.

Net Assets

In 2003, total assets of the University of Wyoming ($474.8 million) exceeded total liabilities ($97.3 million) by $377.5 million, indicating a strong financial position at June 30, 2003. Fiscal year 2004's total assets of $515.9 million exceed total liabilities of $109.4 million by $406.5 million. The increase in net assets this year of $29 million, together with last year's increase of $10.5 million, speaks to the existence of strong fundamental financial conditions at the state level, record-setting external funding sources, generous private gifts and donations, and sound financial management practices.

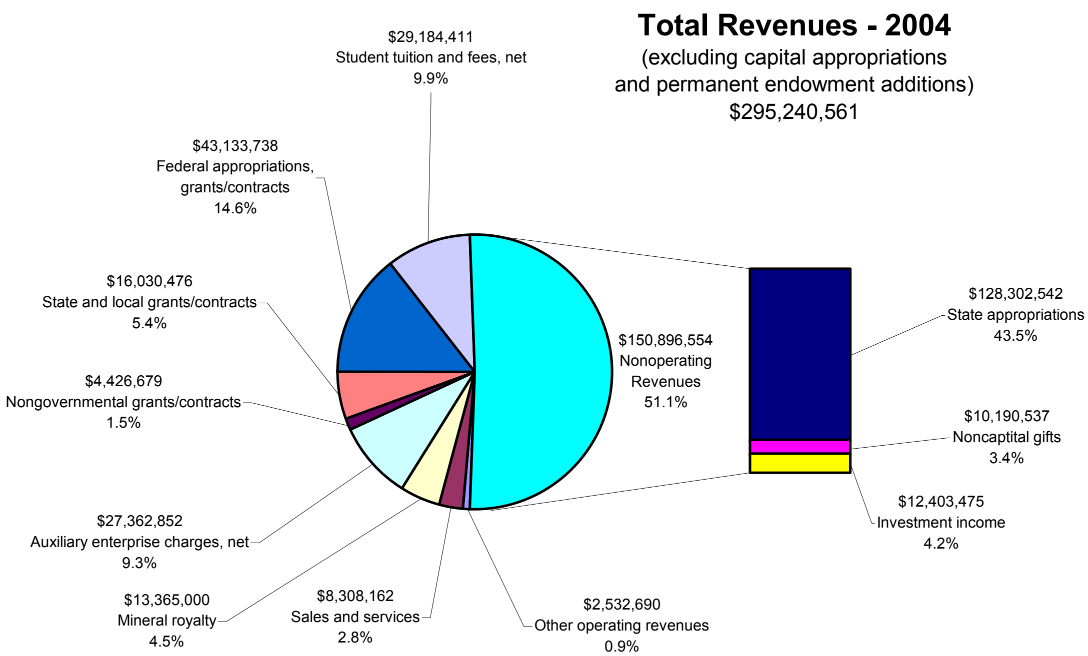
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of operations and supports the total change in net assets for the year. 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?" 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.

One of the University's greatest strengths is its diverse stream of revenue sources, which supplement its student tuition and fees. State appropriations; voluntary private support from individuals, foundations and corporations; government and other sponsored programs; and investment income, all contribute to the University's ability to keep tuition costs low. Eighty-one percent (81%) of UW's 2003 revenue and 79% of 2004 revenue is attributed to state appropriations, grants and contracts, mineral royalties, and tuition and fees. The University 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 operating activities.

Statement of Revenues, Expenses and Changes in Net Assets
(in millions)

	2004	2003
Operating Revenues	$ 144.3	$ 136.6
Operating Expenses	(287.8)	(271.2)
Loss from Operations	(143.5)	(134.6)
Net Nonoperating Revenues (Expenses)	149.0	135.9
Income (Loss) Before Other Revenue, Expenses, Gains/(Losses)	5.5	1.3
Net Other Revenue, Expenses, Gains and (Losses)	23.5	9.2
Net Increase (Decrease) in Net Assets	**29.0**	**10.5**
Net Assets - Beginning of Year	377.5	367.0
Net Assets - End of Year	**$ 406.5**	**$ 377.5**



The chart above reflects operating and nonoperating revenues; it does not include capital appropriations, additions to permanent endowments or nonoperating expenses. The table below incorporates all of these elements to reflect total resources available to the University of $281.7 million in 2003. Operating expenses in 2003 totaled $271.2 million, resulting in an increase in net assets of $10.5 million. In 2004, total resources were $316.8 million and operating expenses were $287.8 million, further increasing net assets by $29 million.

Revenues, Capital Appropriations, and Additions to Permanent Endowments

net of nonoperating expenses
(in millions)

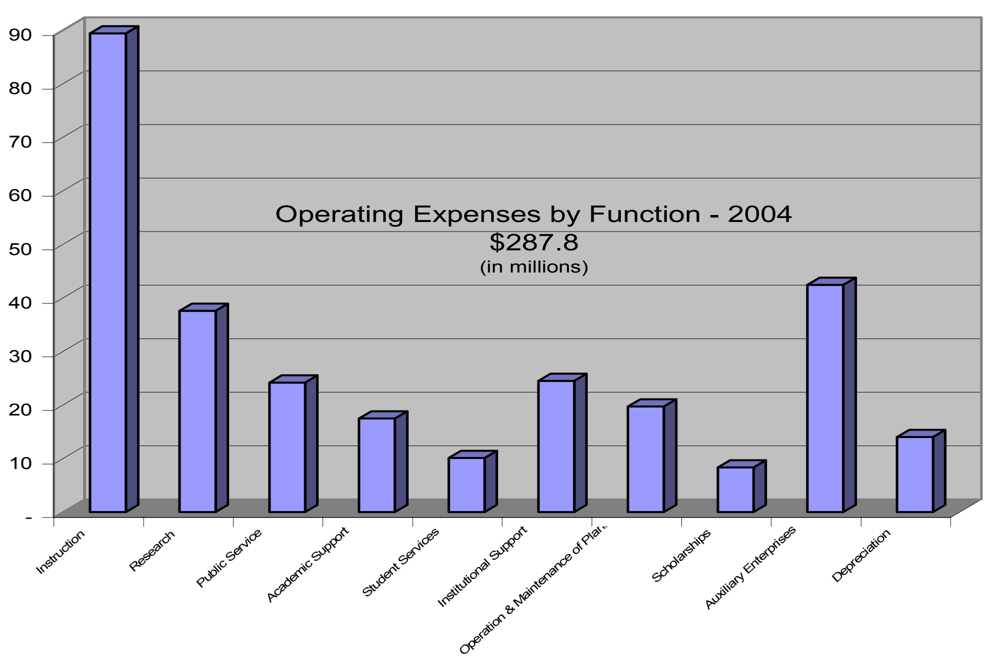
	2004	2003
Operating revenues	$ 144.3	$ 136.6
Nonoperating revenues	150.9	138.1
Total revenue (excluding capital and permanent endowment additions)	295.2	274.7
Nonoperating expenses	(1.9)	(2.2)
Additions to permanent endowments	7.1	9.2
State appropriations restricted for capital purposes	16.4	-
Total revenues and additions to permanent endowment (net of nonoperating expenses)	**$ 316.8**	**$ 281.7**

The table below reflects 2004 total operating expenses by their natural (object) classification and the following chart shows these same expenditures according to their function.

Operating Expenses by Natural Classification

(in millions)

	2004	2003
Compensation and benefits	$ 189.5	$ 179.2
Supplies and support services	75.9	71.2
Scholarships	8.4	7.1
Depreciation	14.0	13.7
Total expenses	**$ 287.8**	**$ 271.2**



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

(in millions)

	2004	2003
Cash provided (used) by:		
Operating activities	$ (127.1)	$ (118.3)
Noncapital financing activities	146.4	140.8
Investing activities	(7.3)	.3
Capital and related financing activities	(.7)	(34.7)
Net increase (decrease) in cash	11.3	(11.9)
Cash, beginning of the year	32.4	44.3
Cash, end of the year	**$ 43.7**	**$ 32.4**

Cash flows from operating activities will always be different than the operating loss shown in the Statement of Revenues, Expenses and Changes in Net Assets because of noncash items, such as depreciation expense, and because the latter statement is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred, without regard to when cash is actually received or paid.

Cash flows from operating activities include cash received from customers for tuition and fees, room and board, bookstore and other auxiliary services sales, and collection of student loans, as well as cash receipts for federal, state, local, and nongovernmental grants and contracts. Mineral royalties from the State of Wyoming are also included in this category. Cash outflows include salaries and benefits paid to faculty and staff and payments to vendors for goods and services. Net cash used by operating activities increased in 2003 by $9.3 million to $118.3 million, partially as a result of increased salary and benefit levels in an environment of modest tuition increases.

In 2004, net cash used in operations increased again by $8.8 million to $127.1 million. Increased payments to employees, vendors, suppliers, and students (in the form of scholarships) totaling approximately $20.4 million were offset by increased payments from customers and other receipts of $11.6 million.

Noncapital financing activities include state appropriations and grants or gifts received for other than capital purposes. Cash provided by these activities in 2003 increased by $11.4 million to $140.8 million: $10.7 of which was an increase in state appropriations cash flow. Gifts in 2003 for noncapital purposes remained stable and added $17.7 million to the total cash provided by noncapital financing activities.

The 2004 increase in cash from these activities is $5.6 million, with state appropriations providing $128.9 million and noncapital gifts again remaining relatively stable at $17.3 million, for total cash provided by noncapital financing activities of $146.4 million.

Cash flows from investing activities reflect all uses of cash and cash equivalents to purchase investments and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. In 2003, sales and other income were greater than purchases, which provided a small amount of positive cash flow (less than $400,000).

In 2004, purchases of investments ($393.9 million) outweighed sales and interest received ($386.6 million), using $7.3 million in cash for investing activities.

Cash flows from capital financing activities include the proceeds received from short-term and long-term debt obligations, the repayment of capital debt and leases, including interest paid, capital appropriations received, and the acquisition and sale of capital assets. Net cash used by capital and related financing activities increased in 2003 by $7.2 million to $34.7 million, partly as a result of cash paid for capital assets.

Although relative little net cash ($697,000) was used in 2004, the components of this category are significant and will be discussed in detail in the following section and presented in the schedule of capital asset activity found in Note 4 to the Financial Statements.

CAPITAL AND DEBT ACTIVITY

Capital Activity

The University of Wyoming has long recognized that one of the critical factors in continuing the quality of academic and research programs and improving students' experience and environment, is a commitment to the development and renewal of its capital assets.

The University of Wyoming implemented the first phase of its Capital Facilities Plan (CFP) in 2003. This plan is part of UW's ongoing effort to formalize institutional planning processes. The CFP supports the University's Academic and Support Services Plans and addresses a vision for the University, including an examination of what facilities are needed to properly serve future generations of students and faculty.

The CFP anticipates using a variety of funding mechanisms to carry out UW's capital project goals. Major projects identified within the plan will be funded through a combination of revenue bonds, state legislative funding, private support, and University funds. Facilities supported through auxiliary operations will be funded by revenues generated within those operations.

The closure of Prexy's Pasture to parking and vehicle traffic was accomplished over the summer 2004 and the conversion to a pedestrian core campus environment was completed this fall 2004. Groundbreaking ceremonies took place this fall 2004 for the new Early Care and Education Center, and the first phase of renovations to residence halls in the Washakie Complex began spring 2004. In addition to these projects, initial steps have been taken toward the creation of a modern sustainable agriculture research center in southeast Wyoming.

War Memorial Stadium underwent major structural repairs and replacement of the upper west stands this year just in time for the 2004 football season. $12.4 million was received from the state in the legislative budget session for major maintenance with the understanding that the University would allocate at least $5.5 million to the Stadium to ensure public safety and continued long-term use of the facility.

Planning continues for the renovation of the Classroom Building and construction of the Information, Library and Learning Center (IL^2C). It is anticipated that University bonding capacity will be used in 2005 to construct a new \$16 million building to house the Anthropology Department and the archaeological collections it oversees on behalf of the federal and state government. Providing a new home for these activities will clear the path for the construction of the IL^2C, just east of the existing Coe Library.

Creation of the Wyoming Technology Business Center, a business incubator on campus that will assist new businesses arising primarily from University research, is anticipated in the coming year. The University's leadership in this initiative and the creation of the funding package that will allow UW to break ground is a fine example of the spirit of the Capital Facilities Plan. The funding package includes \$5.3 million from State of Wyoming bonds, \$1.6 million from the Economic Development Administration of the U.S. Department of Commerce, \$1.0 million from a congressional appropriation through the Department of Housing and Urban Development, and \$1.6 million from a private benefactor.

To summarize, the following changes in capital assets took place during the year ended June 30, 2004:

- \$13 million addition to construction-in-progress, primarily related to the renovation of the Biochemistry building for the College of Health Sciences and War Memorial Stadium repairs. Over \$16 million of project costs were removed from construction-in-progress and capitalized, signaling completion of the Washakie Dining Center and completion of the purchase and renovation of the UW Office Annex. Total construction in progress at June 30, 2003, was \$18.2 million. As of June 30, 2004 construction in progress totaled \$15.2 million.

- \$11.5 million addition to other capital assets including infrastructure; land improvements; buildings; furniture, fixtures and equipment; and library materials. Together with the \$16.1 million in completed projects mentioned previously and taking into account \$2.8 million of assets retired, total other capital assets (before accumulated depreciation) at June 30, 2004, totaled \$469.4 million. That's a net increase of \$24.8 million from the June 30, 2003 balance of \$444.6 million.

The total cost of all capital assets (land, land improvements, construction in progress, and other capital assets) as of June 30, 2003, was \$470.3 million. Accumulated depreciation of \$228.1 million resulted in net capital assets of \$242.2 million.

For 2004, total capital assets are \$492.6 million, accumulated depreciation is \$239.8 million and net capital assets are \$252.8 million.

Debt Activity

In March 2003, the University issued Facilities Refunding Revenue Bonds in the amount of \$4.3 million, the proceeds of which were used to perform a current refunding of outstanding bonds issued in 1993. The present value savings realized on this transaction was over half a million dollars, enabled by the current low tax-exempt interest rate environment. Normal, recurring debt service payments of \$4.7 million reduced the balance of revenue bonds payable to \$28.8 million.

In May 2004, Facilities Improvement Revenue Bonds in the amount of \$11.1 million were issued to finance a portion of the construction and renovation of the Health Sciences Complex and for first phase of renovation of UW residence halls. \$2.5 million of the bond proceeds will be used in the former project: \$8.6 million in the latter. Revenue bonds payable at June 30, 2004 total \$38 million.

In the University's first-ever attempt to receive an underlying rating, Standard & Poor's assigned the 2004 Series bonds a "AA-". This rating not only reflects an outstanding financial condition, it is the culmination of strong leadership and financial stewardship by the senior management of the University. The University of Wyoming joins the universities of Iowa, Kansas, Nebraska, Utah State and Clemson University in enjoying this excellent bond rating.

ECONOMIC OUTLOOK

Adapted from remarks by Philip L. Dubois, President, University of Wyoming, Seventh Annual University of Wyoming Convocation, September 13, 2004.

Fortunately, for us, most of the change we have confronted at UW has been the result of institutionally generated initiatives, many through planning processes that now are entering their second generation. We have been fortunate in not having had to deal with changes brought about by external forces, such as budgetary reductions or politically inspired intrusions into higher education. Ours is a state enjoying almost unprecedented riches that have helped fund our most important one-time capital construction projects and ongoing budgetary needs, including faculty and staff compensation packages that now approach market levels.

Our base budget from the state is 60 percent greater than it was at the time of the 1998 budget session and we have seen state appropriations for one-time needs in excess of $112.5 million, about half of which has been provided as state matching funds to encourage additional private gifts. Our external funding continues to rise, reaching $61 million this past fiscal year (with $54 million directly supporting scholarship and research). Our annual private giving has moved from approximately $5 million per year to comfortably over $20 million per year, with an all time high number of individual donors at nearly 25,000. With the assistance of our federal delegation in Washington, D.C., we have secured regular congressional appropriations to assist us with educational technology, wildlife disease research, and the University's Technology Business Incubator. Using state funds, student fees, our own bonding capacity, and private gifts, we have renovated the Wyoming Union and our residential dining facility, built a student-athlete center and a performing arts studio, launched a major renovation to house our College of Health Sciences, taken the initial steps toward the creation of a modern sustainable agriculture research station, and have broken ground on a modern Early Care and Education Center. We've taken the first steps toward renovating our athletic facilities. Our financial standing is so stable that, in our first-ever attempt to receive a Standard and Poor's bond rating, we received a rating of AA-, joining the likes of the University of Iowa, the University of Colorado-Boulder, the University of Nebraska, and the University of California with comparable ratings.

These increases in public and private revenue allow the University to more completely address institutional priorities. They enable us to hire and retain the best people to our faculty and staff. They make it easier to recruit new students—undergraduate, graduate, and professional. They allow us to establish the conditions for our faculty, staff, and students to do their best work—in the classroom, in the laboratory, in the field, and in the library. They expand the contributions of our research and scholarly enterprise to the state, through the creation of new jobs that would not exist otherwise, through technology transfer, and through small business development and incubation. And they create successful, satisfied and loyal alumni, who in the success of their later years may choose to recognize with their private financial gifts the value of the education provided them through the University.

The danger of the strong fundamental conditions we enjoy today is that we may become satisfied, complacent, or both. We cannot afford to be either. We have core needs that will continue to require attention and support, both from the state and from our private benefactors. Beyond addressing those core needs and with the most recent estimates of the Consensus Revenue Estimating Group (CREG) suggesting another large state budget surplus in FY 2005, opportunities exist for the University of Wyoming to significantly strengthen itself in ways that enhance our regional and national reputations out of proportion to our relatively small size.

The fundamental needs relate to our human capital. We must continue to make the case to the governor and our elected representatives serving in the legislature that competitive salaries and benefits are essential to maintaining a quality institution. In the case of faculty, that means competing in a national market and, in the case of most staff, in competitive regional and local markets.

Our academic and student support infrastructure, particularly in terms of continuing funding for major facility maintenance and adaptation for persons with disabilities, also requires ongoing support. The 2004 legislative budget session was the first in Wyoming's history that fully funded the major maintenance needs of the university, the community colleges, and the state's own facilities. In the case of the University, that appropriation brought $12.4 million in state funding to bear upon major maintenance needs in our academic and student support facilities and, in this year, funds required to address the structural deficiencies that threatened to close the upper west side of War Memorial Stadium.

We will also require the state's ongoing assistance with capital construction. We certainly recognize that the University, through its own bonding capacity and with the assistance of privately secured gifts, has a role to play in implementing our long-term Capital Facilities Plan. For instance, our bonding capacity was used to renovate the Wyoming Union, the Washakie Dining Facility, and a portion of the renovation of the Biochemistry Building for the College of Health Sciences. We anticipate using our bonding capacity to construct a new $16 million building to house the Anthropology Department and the archeological collections we oversee on behalf of the federal and state government, thereby clearing the path for the construction of the Information, Library, and Learning Center (IL^2C) just east of the existing Coe Library. But we won't be able to build the IL^2C, a facility estimated to cost $45 million, without the state's help, nor will we be capable of initiating the renovation of the Classroom Building and our other major classrooms (estimated at more than $10 million) without state support.

Another set of fundamental needs relate to our academic and administrative support budgets. Of the $195 million contained in the University's annual base (Section I) budget, approximately $24 million per year are currently allocated for what we call "support." These dollars are expended on "non-personnel" expenses associated with running a modern university. They include everything from funds we require for basic administrative services (e.g., paper, copying, printing, postage, telephone, and the like) to those we require for our technology infrastructure (e.g., internet access; computer security) to those needed in support of instruction (e.g., laboratory equipment and supplies). They also include travel dollars to send our faculty and staff to professional meetings and training.

Unfortunately, because of other pressing public priorities, the state legislature has never been able to cost-adjust the support budgets of the University or other state agencies. Inflation has thus taken a terrible toll over time on the purchasing power of these budgets. Indeed, had a 3 percent adjustment been made automatically to our support budget for each of the last 10 years, our current $24 million in support would be over $32 million, some $8 million more than we currently have available.

To be sure, some of the lost purchasing power has been mitigated by other considerations. Postage increases, for instance, have been offset by the growing use of e-mail. Printing and copying costs have been reduced by advances in technology. And, in the 2000 and 2001 legislative sessions, the legislature provided us with some permanent supplemental funding for a variety of support-related needs, particularly equipment replacement. That funding, known today on campus as "the plus budget," provides us with an ongoing and flexible source of funding for major projects developed by the vice presidents and deans.

With that said, it is our best estimate that academic and administrative units annually reallocate about $1.5 million in unobligated salary dollars resulting from personnel turnover and vacancies in order to meet our fundamental requirements in support categories. What that means is that we come to rely upon random turnover in faculty and staff positions and to use those savings to pay certain non-discretionary costs of doing business.

Although we could muster a credible case for a legislative appropriation to increase our support budget, the President does not intend to recommend to the trustees that we do so. It is not that the support needs are unimportant; it is simply that our other fundamental needs requiring legislative appropriations are more important. Moreover, the 2005 legislative session is not a budget session at which the funding needs of state agencies will be broadly considered. Rather, the University will focus on capital construction and other one-time funding needs.

For that reason, the President will ask the trustees to make permanent increases in our support budget the highest priority for the use of institutional revenues that flow into the UW income fund and our sales and services fund. These funds consist largely of tuition revenues and student fees, indirect cost recovery from contracts and grants, interest income, and assorted fines and charges we collect every year. To the extent that our income fluctuates with enrollment, we need to be cautious in making permanent allocations from these sources. But it is hoped that we can begin to do so over the next year or so.

UNIVERSITY OF WYOMING

STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	University of Wyoming	University of Wyoming Foundation	Eliminations	Total
Current Assets				
Cash and cash equivalents (Note 2)	$ 35,881,206	$ 62,789	$ (404,739)	$ 35,539,256
Accounts receivable, net (Note 3)	12,408,092	357,834	-	12,765,926
Investments (Note 2)	66,254,423	180,667,000	(74,922,418)	171,999,005
Interest receivable	365,691	-	-	365,691
Current portion of student loans receivable, net (Note 3)	4,059,562	1,534,902	(1,534,902)	4,059,562
Current portion of pledges receivable, net (Note 3)	210,804	7,442,997	-	7,653,801
Inventories	3,811,839	-	-	3,811,839
Prepaid expenses	1,294,417	-	-	1,294,417
Total current assets	124,286,034	190,065,522	(76,862,059)	237,489,497
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	7,905,619	-	-	7,905,619
Investments (Note 2)	114,451,260	17,000,572	-	131,451,832
Prepaid expenses	643,027	-	-	643,027
Receivable from State of Wyoming	760,000	-	-	760,000
Pledges receivable, net (Note 3)	-	10,158,605	-	10,158,605
Loans to students, net (Note 3)	15,061,375	-	-	15,061,375
Capital assets, net of accumulated depreciation (Note 4)	252,865,543	152,896	-	253,018,439
Total noncurrent assets	391,686,824	27,312,073	-	418,998,897
Total assets	515,972,858	217,377,595	(76,862,059)	656,488,394
LIABILITIES				
Current Liabilities				
Payroll and related liabilities	17,032,374	-	-	17,032,374
Accounts payable and accrued liabilities	7,022,210	469,333	-	7,491,543
Deferred revenue	6,782,847	-	-	6,782,847
Deposits held in custody for others	8,455,675	75,327,157	(76,862,059)	6,920,773
Accrued compensated absences	4,688,242	-	-	4,688,242
Other post-employment benefits (Notes 5 and 9)	531,449	-	-	531,449
Current portion of revenue bonds payable (Note 5)	2,014,500	-	-	2,014,500
Current portion of capital lease obligations (Note 5)	207,247	-	-	207,247
Total current liabilities	46,734,544	75,796,490	(76,862,059)	45,668,975
Noncurrent Liabilities (Note 5)				
Accrued compensated absences	4,688,242	-	-	4,688,242
Deposits held in custody for others	7,561,078	5,832,709	-	13,393,787
Other post-employment benefits (Note 9)	5,061,739	-	-	5,061,739
Due to State of Wyoming	425,292	-	-	425,292
Revenue bonds payable	35,985,013	-	-	35,985,013
Capital lease obligations	2,001,375	-	-	2,001,375
U.S. Government loans refundable	6,938,032	-	-	6,938,032
Total noncurrent liabilities	62,660,771	5,832,709	-	68,493,480
Total liabilities	109,395,315	81,629,199	(76,862,059)	114,162,455
NET ASSETS				
Invested in capital assets, net of related debt	212,657,407	-	-	212,657,407
Restricted for:				
Nonexpendable	84,905,995	107,025,917	-	191,931,912
Expendable:				
Scholarships, research, instruction and other	28,445,878	20,935,463	-	49,381,341
Loans	17,166,145	-	-	17,166,145
Capital projects	19,763,894	-	-	19,763,894
Unrestricted (Note 8)	43,638,224	7,787,016	-	51,425,240
Total net assets	$ 406,577,543	$ 135,748,396	$ -	$ 542,325,939

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2004

	University of Wyoming	University of Wyoming Foundation	Eliminations	Total
Operating revenues (Note 11):				
Tuition and fees (net of scholarship allowances $11,588,811)	$ 29,184,411	$ -	$ -	$ 29,184,411
Federal appropriations	3,274,724	-	-	3,274,724
Federal grants and contracts	39,859,014	-	-	39,859,014
State and local grants and contracts	16,030,476	-	-	16,030,476
Nongovernmental grants and contracts	4,426,679	-	-	4,426,679
Mineral royalty	13,365,000	-	-	13,365,000
Sales and services of educational departments	8,308,162	-	-	8,308,162
Auxiliary enterprise charges (net of scholarship allowances $3,091,956)	27,362,852	-	-	27,362,852
Interest earned on loans to students	227,600	-	-	227,600
Contributions	-	10,415,660	-	10,415,660
Other operating revenues	2,305,090	3,158,341	(2,164,450)	3,298,981
Total operating revenues	144,344,008	13,574,001	(2,164,450)	155,753,559
Operating expenses:				
Instruction	89,404,267	1,136,348	(1,136,348)	89,404,267
Research	37,626,318	627,346	(627,346)	37,626,318
Public service	24,227,333	155,028	(155,028)	24,227,333
Academic support	17,517,190	1,423,705	(1,423,705)	17,517,190
Student services	10,101,707	80,441	(80,441)	10,101,707
Institutional support	24,476,374	6,884,075	(5,047,931)	26,312,518
Operation and maintenance of plant	19,688,579	158,072	(158,072)	19,688,579
Scholarships	8,369,806	1,748,858	-	10,118,664
Auxiliary enterprises	42,371,961	127,546	(127,546)	42,371,961
Depreciation	14,034,769	26,158	-	14,060,927
Total operating expenses	287,818,304	12,367,577	(8,756,417)	291,429,464
Operating income (loss)	(143,474,296)	1,206,424	6,591,967	(135,675,905)
Nonoperating revenues (expenses):				
State appropriations	128,302,542	-	-	128,302,542
Gifts	10,190,537	-	(6,591,967)	3,598,570
Investment income	12,403,475	10,290,480	-	22,693,955
Interest expense	(1,393,426)	-	-	(1,393,426)
Other nonoperating revenues (expenses)	(482,731)	-	-	(482,731)
Net nonoperating revenues	149,020,397	10,290,480	(6,591,967)	152,718,910
Gain before other revenues, expenses, gains and losses	5,546,101	11,496,904	-	17,043,005
State appropriations restricted for capital purposes	16,389,128	-	-	16,389,128
Additions to permanent endowments	7,145,947	7,462,060	-	14,608,007
Net increase in net assets	29,081,176	18,958,964	-	48,040,140
Net assets:				
Net assets - beginning of year	377,496,367	116,789,432	-	494,285,799
Net assets - end of year	$ 406,577,543	$ 135,748,396	$ -	$ 542,325,939

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS
Year Ended June 30, 2004

Cash Flows from Operating Activities	
Tuition, fees and grants received	**$ 144,417,772**
Payments to employees and fringe benefits	**(187,223,759)**
Payments to vendors and suppliers	**(75,832,095)**
Payments for scholarships	**(8,369,806)**
Loans issued to students	**(3,762,944)**
Collection of loans to students	**3,009,276**
Other receipts	**16,302,350**
Other payments	**(15,599,516)**
Net cash (used in) operating activities	**(127,058,722)**
Cash Flows from Noncapital Financing Activities	
State appropriations	**128,938,447**
Grants for other than capital purposes	**98,038**
Gifts for other than capital purposes	**17,340,574**
Net cash provided by noncapital financing activities	**146,377,059**
Cash Flows from Investing Activities	
Purchases of investments	**(393,890,652)**
Proceeds from sales and maturities of investments	**381,434,499**
Interest received on investments	**5,177,510**
Net cash (used in) investing activities	**(7,278,643)**
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	**(24,494,958)**
Proceeds from sale of capital assets	**561,550**
Capital appropriations received	**15,629,128**
Proceeds of capital debt	**11,132,595**
Repayments of capital debt and leases	**(2,131,900)**
Interest paid on capital debt and leases	**(1,393,427)**
Net cash (used in) capital and related financing activities	**(697,012)**
Net increase in cash and cash equivalents	**11,342,682**
Cash and cash equivalents:	
Beginning of year	**32,444,143**
End of year	**$ 43,786,825**

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2004

Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
Operating (loss)	**$ (143,474,296)**
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	**14,034,769**
Provision for uncollectible loans and write-offs	**973,913**
Miscellaneous nonoperating income	**(428,497)**
Changes in assets and liabilities:	
Receivables, net	**404,402**
Inventories	**216,472**
Prepaid expenses	**(302,519)**
Notes receivable, net	**(753,668)**
Accounts payable and accrued liabilities	**1,592,519**
Deferred revenue	**(1,320,711)**
Deposits held in custody for others	**845,736**
U.S. Government loans refundable	**285,597**
Accrued compensated absences	**867,561**
Total adjustments	**16,415,574**
Net cash (used in) operating activities	**$ (127,058,722)**
Noncash Investing, Capital, and Financing Activities	
Change in fair value of investments	**$ (1,079,689)**

See 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 basic 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.

During the year ended June 30, 2004, the University implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This Statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship with the University. As defined by accounting principles generally accepted in the United States of America established by GASB, the financial reporting entity consists of the primary government, as well as its component unit, the University of Wyoming Foundation (the "Foundation"). The Foundation is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The 36-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University financial statements.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standard Board (FASB) Standards. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations.* As such, certain revenue recognition criteria and presentation features may be different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The University has elected to present the Foundation on a combining basis including eliminating intra-entity activity because the University is included as a component unit of the State of Wyoming.

Financial statements for the Foundation can be obtained by contacting the Foundation at 1000 University Avenue, Laramie, Wyoming 82071.

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 a blended component unit of the University.

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 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.

The Foundation accounts for its investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values. Unrealized gains and losses are included in the change 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 two years. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. At management's discretion, certain bulk purchases of items that individually do not exceed $5,000 may be capitalized and depreciated over an estimated blended life of the items. 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. 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 compensated absences are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net assets, and as a component of compensation and benefit expense within the operating expenses 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 allowances, (2) sales and services of auxiliary enterprises, net of scholarship 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 allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. Scholarship 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 allowance.

Contributions to the Foundation: The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the donor's restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give to the Foundation: Promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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. The University's deposits were undercollateralized one time during the year. On March 12, 2004, the University was undercollateralized by approximately $500,000.

At June 30, 2004, the University had $30,001,905 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, 2004, the carrying amount of the University's deposits, other than the amounts on deposit with the State Treasurer, was $13,784,920, and the bank balances were $16,762,175, 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	$ 14,062,175	$ -	$ 14,362,175
Certificates of deposit	-	2,400,000	-	2,400,000
	$ 300,000	$ 16,462,175	$ -	$ 16,762,175

The University has authority to invest endowment funds in equity or nonequity investments. At June 30, 2004, 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, 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.

The University invests in common stocks and bonds of publicly-traded companies, and U.S. Government obligations. 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.

	Category			Carrying	Fair
	I	II	III	Amount	Value
Stocks, bonds and debentures	$ 7,272,664	$ -	$ -	$ 7,272,664	$ 7,272,664
U.S. Government securities	3,829,260	73,507,521	-	77,336,781	77,140,707
Land	-	-	-	1,243,890	5,447,028
State Treasurer	-	-	-	19,586,288	19,586,288
Other	-	-	-	343,642	343,642
Total investments held by the University	11,101,924	73,507,521	-	105,783,265	109,790,329
Investments held on behalf of the University by the Foundation:					
Money market funds	-	-	2,142,973	2,142,973	2,142,973
Stocks and bonds	-	-	72,779,445	72,779,445	72,779,445
	$ 11,101,924	$73,507,521	$ 74,922,418	$180,705,683	$184,712,747

The following shows the relationship between the cost and market values (carrying value) of investments held by the Foundation as of June 30, 2004:

	Cost	Market Value
Money market funds	$ 5,597,980	$ 5,604,998
Stocks, bonds and debentures	164,309,171	172,797,578
Real estate	12,273,498	12,308,141
Government obligations	2,264,424	2,264,424
Other investments	4,692,431	4,692,431
Total investments held by the Foundation	$ 189,137,504	$ 197,667,572

Other investments held by the Foundation consist primarily of interests in mineral rights and an interest in a limited liability company.

Market values for corporate stocks and pooled investments held by the Foundation are based on quoted market prices as of June 30, 2004.

Note 3. Loans, Accounts Receivable and Pledges Receivable

Loans receivable: Approximately 60% of the University's 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 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, or a residency program.

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 and pledges receivable: The University accounts receivable and pledges receivable are shown net of allowances for doubtful accounts in the accompanying statement of net assets at June 30, 2004 as follows:

Accounts receivable	$ 13,222,672
Less allowance for doubtful accounts	(814,580)
Accounts receivable, net	$ 12,408,092

Included in the amounts above is $9,520,328, which is due from the U.S. Government at June 30, 2004.

Foundation pledges receivable represent promises to give which have been made by donors but have not yet been received. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year.

Due to the nature of these pledges, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the fiscal period in which they are pledged, but the expenses incurred with such contributions occur in a different fiscal period.

Total promises to give were as follows at June 30, 2004:

Due within 1 year	$ 7,442,997
Due 1 to 5 years	11,682,080
Due 5 years and later	740,000
	19,865,077
Less allowance for uncollectible pledges	1,026,636
Less discount to present value	1,236,839
Total pledges receivable	$ 17,601,602

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2004:

	Balance June 30, 2003	Additions	Transfers	Retirements	Balance June 30, 2004
Capital assets not being depreciated:					
Land	$ 5,093,194	$ 599,495	$ -	$ (13,043)	$ 5,679,646
Land improvements	2,310,209	-	-	-	2,310,209
Construction in progress	18,247,174	13,131,083	(16,125,077)	-	15,253,180
Total capital assets not being depreciated	$ 25,650,577	$13,730,578	$(16,125,077)	$ (13,043)	$ 23,243,035
Other capital assets:					
Infrastructure	$ 12,027,575	$ 134,368	$ -	$ -	$ 12,161,943
Land improvements	3,855,574	129,674	406,886	-	4,392,134
Buildings	300,507,012	1,334,200	15,204,085	(1,184,902)	315,860,395
Furniture, fixtures and equipment	70,284,789	7,129,619	514,106	(1,682,253)	76,246,261
Library materials	57,964,744	2,745,627	-	-	60,710,371
Total other capital assets	444,639,694	11,473,488	16,125,077	(2,867,155)	469,371,104
Less accumulated depreciation for:					
Infrastructure	(9,241,032)	(311,315)	-	-	(9,552,347)
Land improvements	(2,442,771)	(170,092)	-	-	(2,612,863)
Buildings	(116,732,933)	(5,827,524)	-	788,932	(121,771,525)
Furniture, fixtures and equipment	(53,515,254)	(5,199,968)	-	1,548,670	(57,166,552)
Library materials	(46,119,439)	(2,525,870)	-	-	(48,645,309)
Total accumulated depreciation	(228,051,429)	(14,034,769)	-	2,337,602	(239,748,596)
Other capital assets, net	$ 216,588,265	$ (2,561,281)	$ 16,125,077	$ (529,553)	$229,622,508
Capital asset summary:					
Capital assets not being depreciated	$ 25,650,577	$13,730,578	$(16,125,077)	$ (13,043)	$ 23,243,035
Other capital assets, at cost	444,639,694	11,473,488	16,125,077	(2,867,155)	469,371,104
Total cost of capital assets	470,290,271	25,204,066	-	(2,880,198)	492,614,139
Less accumulated depreciation	(228,051,429)	(14,034,769)	-	2,337,602	(239,748,596)
Capital assets, net	$ 242,238,842	$11,169,297	$ -	$ (542,596)	$252,865,543

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

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds payable	$ 28,774,516	$11,132,595	$ 1,907,598	$ 37,999,513	$ 2,014,500
Capital lease obligations	2,432,924	-	224,302	2,208,622	207,247
Total bonds and capital leases	31,207,440	11,132,595	2,131,900	40,208,135	2,221,747
Other liabilities:					
Accrued compensated absences	8,508,923	6,688,530	5,820,969	9,376,484	4,688,242
Deposits held in custody for others	15,171,017	845,736	-	16,016,753	8,455,675
Other post-employment benefits	6,063,615	106,187	576,614	5,593,188	531,449
Due to State of Wyoming	425,292	-	-	425,292	-
U.S. Government loans refundable	6,652,435	285,597	-	6,938,032	-
Total other liabilities	36,821,282	7,926,050	6,397,583	38,349,749	13,675,366
Total long-term liabilities	$ 68,028,722	$19,058,645	$ 8,529,483	$ 78,557,884	$ 15,897,113

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 Facilities Improvement and Refunding Revenue Bonds Series 1999, the Facilities Improvement Revenue Bonds Series 2001, the Facilities Refunding Revenue Bonds Series 2003, and the Facilities Improvement Revenue Bond Series 2004.

Revenue bonds payable consist of the following at June 30, 2004:

	Authorized and Issued	Interest Rates	Bonds Outstanding at June 30, 2004
Facilities Improvement and Refunding Revenue Bonds: Series 1999	18,760,000	4.65-5.5%	13,920,000
Facilities Improvement Revenue Bonds: Series 2001	9,120,000	4.0-5.5%	8,425,000
Facilities Refunding Revenue Bonds: Series 2003	4,340,000	2.0-3.5%	4,300,000
Facilities Improvement Revenue Bonds Series 2004	11,100,000	3.25-5.0%	11,100,000
	43,320,000		37,745,000
Original issue discount/premium			254,513
			37,999,513

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

	Principal	Interest
2005	$ 1,985,000	$ 1,822,590
2006	2,085,000	1,692,246
2007	2,600,000	1,598,022
2008	2,740,000	1,484,263
2009	2,835,000	1,384,306
2010-2013	9,810,000	5,387,442
2014-2018	10,910,000	2,954,847
2019-2020	4,780,000	660,040
	$ 37,745,000	$ 16,983,756

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, 2004:

	Airplane	Scoreboards	Other Equipment	Total
2005	$ 132,843	$ 197,310	$ 15,917	$ 346,070
2006	144,920	215,247	9,285	369,452
2007	144,920	215,247	-	360,167
2008	144,920	215,247	-	360,167
2009	144,920	215,247	-	360,167
20010-2014	724,600	251,122	-	975,722
2013-2019	141,196	-	-	141,196
Total minimum lease payments	1,578,319	1,309,420	25,202	2,912,941
Less amount representing interest	(398,732)	(303,921)	(1,666)	(704,319)
Net present value of minimum lease payments	$1,179,587	$ 1,005,499	$ 23,536	$ 2,208,622

The cost of assets acquired under capital lease is $3,186,681. Accumulated amortization as of June 30, 2004 is $1,675,500. 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 $100,000/$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, 2004 and 2003:

	2004	2003
Unpaid claims, beginning of fiscal year	**$ 255,020**	$ 255,020
Claims incurred	**914,296**	213,875
Claims paid	**(844,316)**	(213,875)
Unpaid claims liability, end of fiscal year	**$ 325,000**	$ 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 $335 a month for insurance premiums for individuals and up to $745 for family participants in the 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 2004 were $1,447,638.

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 2004 and 2003 are as follows for the University's participation in the Unemployment Compensation Act program:

	2004	2003
Unpaid claims, beginning of fiscal year	**$ -**	$ -
Claims incurred	**121,558**	146,384
Claims paid	**(121,558)**	(146,384)
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.

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 $53,459,000. As of June 30, 2004, the remaining commitment to complete these projects totaled approximately $27,705,000. These completion costs will be financed by a combination of State appropriations, bond proceeds, 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.

The Foundation Board of Directors has designated Unrestricted Net Assets for the following purposes:

Unrestricted:	
Investment in property and equipment	$ 152,896
Investments for which the income will be used to cover Foundation operating expenses	6,007,919
Investments for which the income will be used for special Foundation projects	1,228,323
Other amounts held for special requests	397,878
	$ 7,787,016

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, 2002, 2003 and 2004, the University's contributions to the WRS were $4,546,166, $5,191,412 and $5,265,857, 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, 2002, 2003 and 2004 were $6,989,770, $8,210,546 and $8,600,589, 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, 2004 is $119,251.

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

	Termination Benefits Due Former Employees
Fiscal year ending:	
2005	$ 71,896
2006	33,697
2007	10,120
2008	3,538
	$ 119,251

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 $335 a month for individuals and up to $745 a month for family participants in the plan. The premium is paid by the University as it is incurred on a monthly basis. Total amounts charged to expense for the year ended June 30, 2004 was $106,187, and the total liability accrued for at June 30, 2004 is $5,473,937.

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	$ 78,513,262	$10,891,005	$ -	$ -	$ 89,404,267
Research	26,332,265	11,294,053	-	-	37,626,318
Public service	17,737,943	6,489,390	-	-	24,227,333
Academic support	13,788,173	3,729,017	-	-	17,517,190
Student services	6,037,737	4,063,970	-	-	10,101,707
Institutional support	19,095,580	5,380,794	-	-	24,476,374
Operation of plant	8,827,405	10,861,174	-	-	19,688,579
Scholarships	-	-	-	8,369,806	8,369,806
Auxiliary enterprises	19,155,684	23,216,277	-	-	42,371,961
Depreciation	-	-	14,034,769	-	14,034,769
Total expenses	$ 189,488,049	$75,925,680	$ 14,034,769	$ 8,369,806	$287,818,304

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	$ 40,358,097
Noncurrent assets	1,919,645
Total assets	$ 42,277,742
Liabilities:	
Current liabilities	$ 12,359,632
Noncurrent liabilities	347,322
Total liabilities	$ 12,706,954
Net assets:	
Invested in capital assets, net of related debt	$ 1,223,231
Restricted for maintenance required by bond resolution	500,000
Restricted for capital projects	659,927
Unrestricted	27,187,630
Total net assets	$ 29,570,788

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	
Operating revenues:	
Sales	$ 15,392,965
Rents and fees	13,995,850
Nonenterprise revenue	14,265,000
Miscellaneous	188,841
Total operating revenues	43,842,656
Operating expenses:	
Operating expenses	25,543,052
Depreciation	296,053
Total operating expenses	25,839,105
Operating income	18,003,551
Nonoperating revenues, investment income	1,909,366
Nonoperating expenses and other items:	
Interest on indebtedness	1,387,048
Retirement of indebtedness	1,875,000
Expended for plant facilities	90,307
Mandatory transfers	1,154,572
Nonmandatory transfers	15,861,486
Total nonoperating expenses and other items	20,368,413
(Decrease) in net assets	(455,496)
Net assets, beginning of year	30,026,284
Net assets, end of year	$ 29,570,788

Condensed Statement of Cash Flows	
Net cash provided by operating activities	$ 18,153,442
Net cash provided by capital financing activities	5,560,579
Net cash from noncapital financing activities	(17,016,057)
Net cash (used in) investing activities	(8,151,944)
Net (decrease) in cash	(1,453,980)
Cash and cash equivalents, beginning of year	27,803,167
Cash and cash equivalents, end of year	$ 26,349,187