UNIVERSITY OF WYOMING

Financial Report
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of Wyoming
Laramie, Wyoming

We have audited the accompanying financial statements of the business-type activities of the University of Wyoming (the "University"), a component unit of the State of Wyoming, as of and for the years ended June 30, 2011 and 2010, which comprise the University's basic financial statements as listed in the table of contents. 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 audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. The financial statements of the University of Wyoming Foundation were not audited in accordance with *Government Auditing Standards*. 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Wyoming as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years 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 November 10, 2011 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.

The management's discussion and analysis on pages 2 through 17, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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
November 10, 2011

University of Wyoming
Management's Discussion and Analysis
June 30, 2011 and 2010 (Unaudited)

INTRODUCTION

The following discussion and analysis is designed to assist readers in understanding the accompanying financial statements and provide an overview of the University of Wyoming's financial position and activities as of and for the fiscal years ended June 30, 2011 and 2010, with comparative information for the year ended June 30, 2009. It has been prepared by management to be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University of Wyoming is the only provider of baccalaureate and graduate education in a state of some one-half million people and 98,000 square miles. Combining major-university benefits and small-school advantages, we offer our students a truly unique and quality educational experience. UW stands at the forefront in the exploration of emerging technologies and concepts, giving our students the types of hands-on involvement and one-on-one attention rarely found at other colleges and universities. And we also continue to be recognized nationally as one of the best values in higher education.

UW opened on September 6, 1887, with one building, five professors, two tutors, and 42 students, who studied philosophy, arts, literature, and sciences. Today, we provide our 13,000 students more than 197 programs of study at the undergraduate, graduate, and professional levels; an outstanding faculty; and world-class research facilities—all set against the idyllic backdrop of southeastern Wyoming's rugged mountains and high plains.

Our main campus is located in Laramie, approximately two hours north of Denver. The university also maintains the UW/Casper College Center, nine outreach education centers across Wyoming, and Cooperative Extension Service centers in each of the state's 23 counties and on the Wind River Indian Reservation.

The financial statements and this discussion include the financial activities of the University of Wyoming and its component units, the Cowboy Joe Club and the University of Wyoming Alumni Association. Component unit financial activities are incorporated in the university's financial statements as a whole; discrete presentation is not required. The University of Wyoming Foundation is also reported as a component unit based on the nature and significance of its 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. The foundation's financial statements are discretely presented together with the university's financial statements. The information and financial data included in management's discussion and analysis relate solely to the university.

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 evaluating efficiency and effectiveness of operations.

FINANCIAL HIGHLIGHTS

- Assets of the university exceeded liabilities as of June 30, 2011 by $891.2 million. As of June 30, 2010 and 2009 net assets were $824.6 and $792.9 million, respectively. 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 $891.2 million, 54.6% or $487.0 million is invested in capital assets (net of related debt), 36.4% or $323.9 million is restricted as to use ($133.7 million is nonexpendable – endowments required to be retained in perpetuity – and $190.2 million is expendable for scholarships, research, instruction, loans or capital projects), while 9.0% or $80.3 million is unrestricted and may be used to meet ongoing obligations. As of June 30, 2010 and 2009 respectively, $462.5 and $409.3 million was invested in capital assets (net of related debt), $298.5 and $314.8 million was restricted as to use, leaving $63.6 and $68.8 million unrestricted.

- The university's net assets increased by 8.1%, or $66.6 million, in fiscal year 2011. As of June 30, 2010 and 2009 net assets increased by $31.7 and $75.0 million, respectively. Sustained **increases in net assets** over time are one indicator of an institution's improving financial health. Net assets have increased each year beginning with fiscal year 2003. The components of the last three years' increases are:

Increase in Net Assets
(in millions)

	2011	**2010**	**2009**
Income (loss) before other revenues, gains and losses	$ 53.4	$ 16.4	($ 22.6)
State appropriations restricted for capital purposes	7.9	6.8	85.4
Additions to permanent endowments	5.3	8.2	9.2
Capital grants and gifts	0	0.3	3.0
Total increase in net assets	**$ 66.6**	**$ 31.7**	**$ 75.0**
Percent increase in net assets	8.1%	4.0%	10.4%

The $66.6 million increase in net assets during fiscal year 2011 results from a $53.4 million excess of operating and nonoperating revenues over operating expenses, $30.7 million of which is attributed to investment income. The remaining $13.2 million increase in net assets is a result of receiving state appropriations for capital purposes and contributions to permanent endowments. This is an 8.1% increase in net assets compared to fiscal year 2010.

The increase in net assets in fiscal year 2010 was a result of a $16.4 million excess of operating and nonoperating revenues over operating expenses and $15.3 million in grants, gifts, and state appropriations restricted for capital projects, in addition to contributions to permanent endowments. It is important to note that state appropriations restricted for capital purposes are usually cyclical in nature due to the legislative budgeting process. Capital appropriations are typically received in the first year of the biennium. This helps explain why the increase in net assets in 2009 was significantly larger than the increase in 2010. However, state capital appropriations were $7.9 million in 2011 and $6.8 million in 2010, reflecting the state's conservative budgeting for 2011, in light of uncertain economic conditions.

Capital grants and gifts and additions to permanent endowments account for $12.2 million of the 2009 increase in net assets, and operating expenses in excess of operating and nonoperating revenues reduced net assets by $22.6 million. A significant factor in the $22.6 million loss was a $25.7 million net realized and unrealized loss on investments. Despite declining investment returns, the university's net assets increased by a total of $75.0 million, a 10.4% increase over fiscal year 2008.

FINANCIAL STATEMENTS OVERVIEW

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) This section - Management's Discussion and Analysis (MD&A); 2) institution-wide financial statements; and 3) notes to the basic financial statements.

The university's financial report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

GASB principles 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 provides a comprehensive, entity-wide perspective of the university's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. With the inclusion of the University of Wyoming Foundation's financial information, the focus is on the university's resources as a whole.

Significant Financial Reporting Components

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. Revenues categorized as nonoperating totaled $321.4, $251.3, and $230.2 million, and funded 65.4%, 58.6%, and 57.1% of the university's regular operating expenses in fiscal years 2011, 2010, and 2009, respectively.

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 fiscal years ended June 30, 2011, 2010, and 2009 operating revenues totaled $226.4, $195.6, and $178.1 million; operating expenses were $491.5, $428.7, and $403.2 million, resulting in net losses from operations of $265.1, $233.1, and $225.1 million, respectively.

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 fiscal year ended June 30, 2011, scholarships and fellowships totaled $95.8 million, of which $29.8 million represents amounts applied to student accounts, while $66.0 million was paid directly to students. The fiscal year 2011 amounts reflect a change in accounting for student loans. In prior years, student loans under the Federal Family Education Loan (FFEL) program were not accounted for as scholarship expense. In fiscal year 2011, the university participated in the Federal Direct Loan (FDL) Program, recording an additional $43.4 million of: 1) non-operating revenue, and 2) scholarship expense. For the fiscal years ended June 30, 2010 and 2009, scholarships and fellowships (not including student loans) totaled $48.4 and $39.7 million, of which $26.0 and $22.5 million represents amounts applied to student accounts, while $22.4 and $17.2 million, respectively, 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 fiscal years ended June 30, 2011, 2010, and 2009, capital assets (net of depreciation) increased by $42.0, $50.6, and $72.1 million to $541.3, $499.3, and $448.7 million, respectively. Depreciation expense totaled $20.9, $19.3, and $19.5 million in fiscal years 2011, 2010, and 2009, respectively.

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, 2011, 2010, and 2009 was $10.3, $10.5, and $11.6 million, respectively.

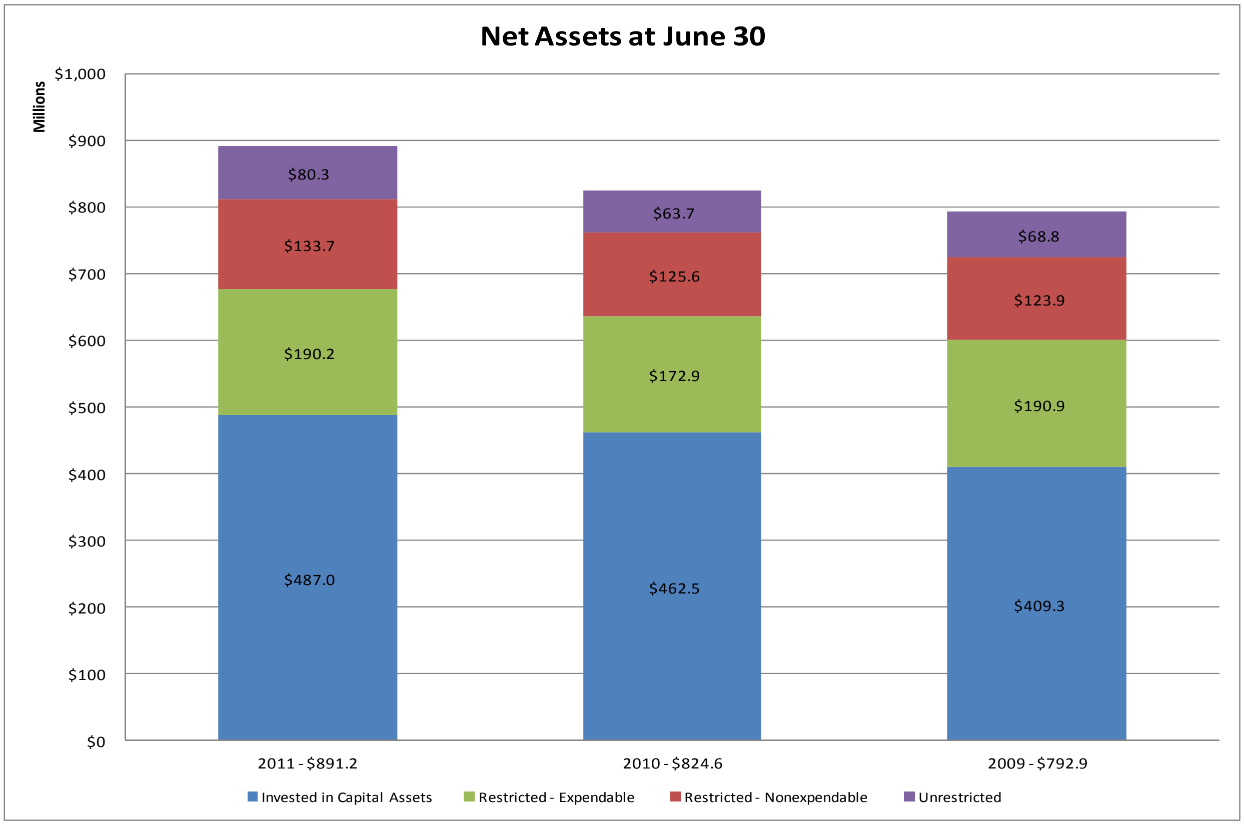
STATEMENT OF NET ASSETS

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 that the university is legally or contractually obligated to spend 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.



Statement of Net Assets
(in millions)

	2011	2010	2009
Current assets	$ 312.5	$ 275.7	$ 243.3
Noncurrent assets:			
Investments	170.2	181.4	150.1
Capital assets, net of accumulated depreciation	541.3	499.3	448.7
Other assets	31.8	32.3	79.2
Total Assets	**1,055.8**	**988.7**	**921.3**
Current liabilities	74.2	72.5	74.2
Noncurrent liabilities	90.4	91.6	54.2
Total Liabilities	**164.6**	**164.1**	**128.4**
Net assets:			
Invested in capital assets, net of related debt	487.0	462.5	409.3
Restricted:			
Nonexpendable	133.7	125.6	123.9
Expendable	190.2	172.9	190.9
Unrestricted	80.3	63.6	68.8
Total Net Assets	**$ 891.2**	**$ 824.6**	**$ 792.9**

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.

Current Assets

Current assets increased in fiscal year 2011 by $36.8 million from $275.7 to $312.5 million, a 13.3% increase. Investment balances increased by $23.0 million, $9.0 million of the investments increase is a result of reclassifying unexpended bond proceeds and other funds restricted for capital projects to the current asset category, as they will be spent in the current year. The remaining $14.0 million increase in investments is a combination of increases in operating and loan funds and a slight decrease in agency funds. Balances in cash and cash equivalents, receivables, inventories and prepaid expenses increased by a net $13.8 million. These current asset balances fluctuate in the normal course of business as economic conditions and liquidity needs change throughout the business cycle.

Current assets increased 13.3%, or $32.4 million, between 2009 ($243.3 million) and 2010 ($275.7 million), the majority of which is attributed to investment of the Series 2010 revenue bond proceeds. Timing of business operations such as payroll and accounts payable cycles at year-end necessitated a large balance of cash on hand for operations.

Investments

Noncurrent investment balances at June 30, 2011, 2010, and 2009 totaled $170.2, $181.4, and $150.1 million, respectively. The decrease of $11.2 million from 2010 to 2011 is a combination of a $26.2 million increase in permanent endowment investments, a decrease of $37.0 million due to the movement of non-current funds restricted for capital projects to the current investments category, and a $0.4 million decrease in Agency Funds. The increase of $31.3 million between 2009 and 2010 was reflective of recovering financial markets worldwide.

Capital Assets

As noted previously, the University of Wyoming continues to enjoy significant growth in capital assets. Capital assets include buildings, construction in progress balances, furniture, fixtures, equipment, library materials, infrastructure, land and land improvements. For fiscal years ended June 30, 2011, 2010, and 2009, capital assets (net of depreciation) increased by $42.0, $50.6, and $72.1 million to $541.3, $499.3, and $448.7 million, respectively.

See the *Capital Activity* section below for additional information. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements.

Other Noncurrent Assets

Other noncurrent assets such as restricted cash, student loans outstanding, pledges receivable, and prepaid expenses, totaled $31.8, $32.3, and $79.2 million at June 30, 2011, 2010, and 2009, respectively. The significant decrease of $46.9 million from 2009 to 2010 is largely attributable to use of cash restricted for capital purposes such as the College of Business renovation and addition, completion of the Coe Library/Information Library and Learning Center and the Information Technology Facility, ongoing classroom renovations, and continuing use of major maintenance formula funding.

Current Liabilities

Current liabilities are amounts which become due and payable in cash or services within the 12 months following June 30, and were relatively unchanged between June 30, 2011 and 2010, totaling $74.2 and $72.5 million, respectively. The major components of current liabilities are payroll, accounts payable, deferred revenue, deposits such as student apartment and residence hall deposits, accrued compensated absences (vacation pay), and the current portion of revenue bonds payable. Current liabilities at June 30, 2009 totaled $74.2 million and decreased by $1.7 million by June 30, 2010.

Noncurrent Liabilities

Noncurrent liabilities at June 30, 2011, 2010, and 2009 totaled $90.4, $91.6, and $54.2 million, respectively. The $1.2 million net decrease from 2010 to 2011 results from a $2.5 million increase in other post-employment benefits and a $3.7 million decrease in revenue bonds payable, accrued compensated absences, deposits held in custody for others and capital lease obligations. The $37.4 million increase between 2009 and 2010 is the net result of issuing $44.3 million in new revenue bonds and reducing existing revenue bonds payable through normal debt service payments.

More detailed information is contained in the *Capital and Debt Activity* sections of this discussion and in Note 5 to the Financial Statements.

Net Assets

Invested in capital assets, net of debt – The university's largest class of net assets is its capital assets, net of related debt, which comprise 54.6%, 56.1%, and 51.6% of net assets for fiscal years 2011, 2010, and 2009, respectively. These capital assets represent the university's net investment in campus facilities, equipment, land and infrastructure so essential to fulfilling our teaching, research and service mission. See the table in the *Capital Activity* section of this discussion for a summary of capital asset balances, net of related debt and depreciation.

Restricted Nonexpendable – Defined earlier in this section as consisting of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity, restricted nonexpendable assets as of June 30, 2011, 2010, and 2009 total $133.7, $125.6, and $123.9 million, respectively. These endowment assets are included in the University of Wyoming Foundation financial statements, which are discretely presented together with the University of Wyoming's statements. See Note 2 for more information about UW Investments Held by the Foundation.

Restricted Expendable – Net assets in this category total $190.2, $172.9, and $190.9 million as of June 30, 2011, 2010, and 2009, respectively. These assets may be fully expended but only for specific purposes identified by the donor or external entity originally providing the funds. As such, the year-to-year balances vary accordingly.

Unrestricted – Representing all other funds available to the university, which may be used for operations at the discretion of the governing board, unrestricted net assets total $80.3, $63.6, and $68.8 million at the end of fiscal years 2011, 2010, and 2009, respectively. The $16.7 million increase between 2010 and 2011 reflects an accumulation of departmental operating funds, working capital and reserve funds, as departments across campus conservatively spend their existing resources while at the same time reserve cash balances in a somewhat uncertain economic environment. The $5.2 million decrease in unrestricted net assets between 2009 and 2010 may be attributed to the use of departmental operating funds, working capital and reserve funds during a year of budget reductions.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

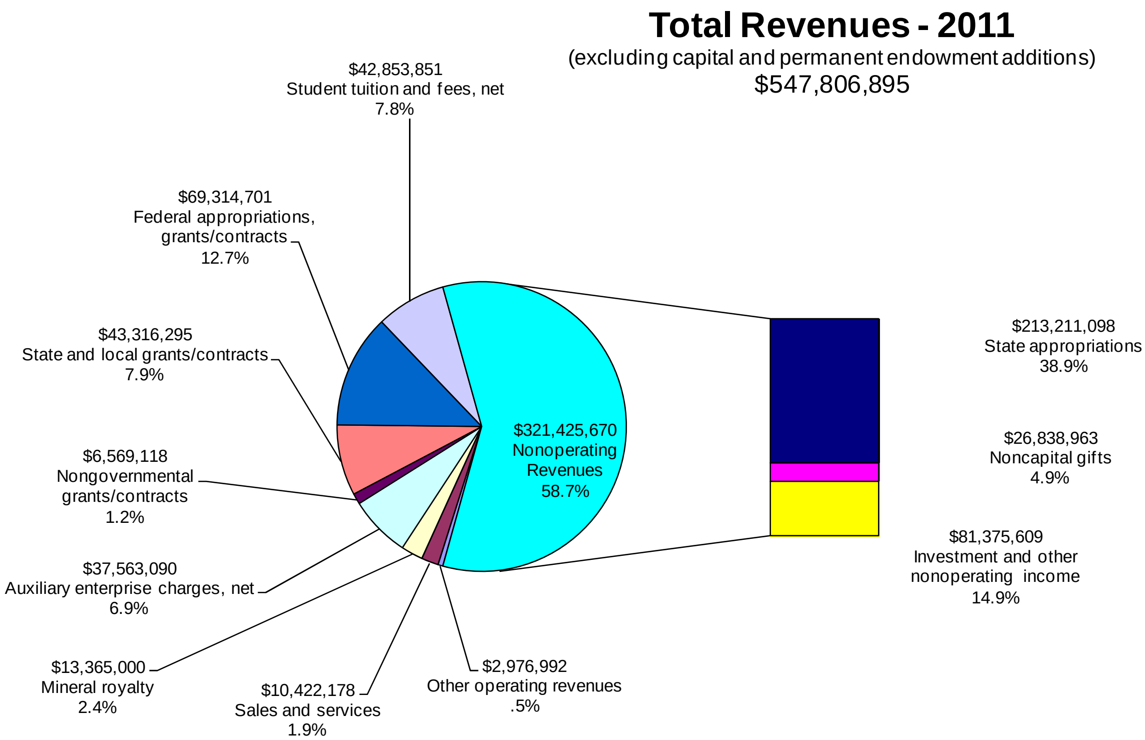
The Statement of Revenues, Expenses, and Changes in Net Assets presents the university's results of operations and supports the total change in net assets for the year. Taken together, the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets help answer the question, "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, 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; sales, services and auxiliary enterprise revenue; mineral royalties; and investment income, all contribute to the university's ability to keep tuition costs low. In the current fiscal year, as well as in the previous two fiscal years, over 92% of UW's total revenue is derived from sources other than student 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)

	2011	2010	2009
Operating revenues	$ 226.4	$ 195.6	$ 178.1
Operating expenses	(491.5)	(428.7)	(403.2)
Operating (loss)	(265.1)	(233.1)	(225.1)
Net nonoperating revenues	318.5	249.5	202.5
Gain (loss) before other revenue, expenses, gains and losses	53.4	16.4	(22.6)
Net other revenue, expenses, gains and losses	13.2	15.3	97.6
Increase in Net Assets	**$ 66.6**	**$ 31.7**	**$ 75.0**
Net assets - beginning of year	824.6	792.9	717.9
Net Assets – End of Year	**$ 891.2**	**$ 824.6**	**$ 792.9**



The chart above reflects operating and nonoperating revenues; it does not include capital appropriations and capital gifts, additions to permanent endowments or nonoperating expenses. The table below incorporates all of these elements to reflect total resources available to the university of $558.1 million in 2011, $460.4 million in 2010 and $478.2 million in 2009.

Operating expenses in 2011, 2010, and 2009 totaled $491.5, $428.7, and $403.2 million, resulting in increases in net assets of $66.6, $31.7, and $75.0 million, respectively. For the three-year period, net assets increased 24.1% from $717.9 million at June 30, 2008 to $891.2 million at June 30, 2011. See the discussion below for further explanation of the university's improving financial condition.

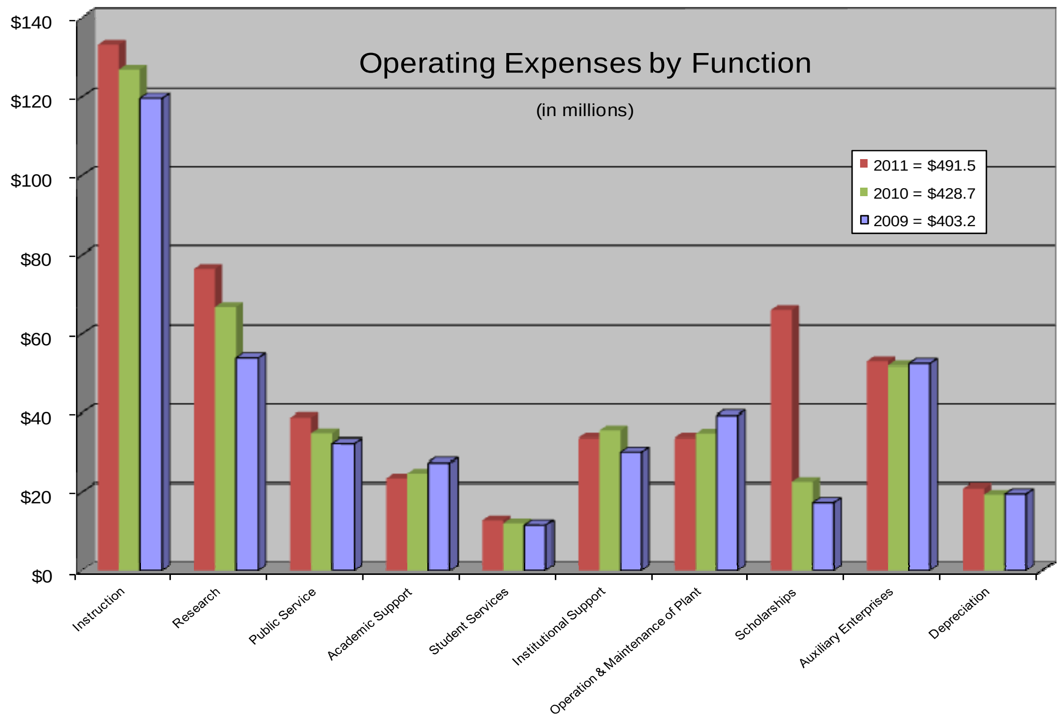
Revenues, Capital Appropriations, and Additions to Permanent Endowments
net of nonoperating expenses (in millions)

	2011	**2010**	**2009**
Operating revenues	$ 226.4	$ 195.6	$ 178.1
Nonoperating revenues	321.4	251.3	230.2
Total revenue (excluding capital and permanent endowment additions)	547.8	446.9	408.3
Nonoperating expense – interest	(2.9)	(1.8)	(2.0)
Nonoperating expense – investment loss	0	0	(25.7)
Additions to permanent endowments	5.3	8.2	9.2
State appropriations restricted for capital purposes	7.9	6.8	85.4
Capital grants and gifts	0	.3	3.0
Total Revenues and Additions to Permanent Endowment (net of nonoperating expenses)	**$ 558.1**	**$ 460.4**	**$ 478.2**

The table below reflects the last three fiscal years' 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)

	2011	**2010**	**2009**
Compensation and benefits	$ 276.3	$ 272.9	$ 262.8
Supplies and support services	128.3	114.1	103.7
Scholarships	66.0	22.4	17.2
Depreciation	20.9	19.3	19.5
Total Operating Expenses	**$ 491.5**	**$ 428.7**	**$403.2**



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is another way to assess the financial health of UW. 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
- its needs for external financing.

Statement of Cash Flows
(in millions)

	2011	**2010**	**2009**
Cash provided by (used in):			
Operating activities	$ (206.5)	$ (210.7)	$ (211.0)
Noncapital financing activities	244.1	238.8	231.5
Investing activities	15.7	(54.9)	.8
Capital and related financing activities	(61.2)	(27.2)	(10.3)
Net increase (decrease) in cash	(7.9)	(54.0)	11.0
Cash, beginning of the year	90.0	144.0	133.0
Cash, End of the Year	**$ 82.1**	**$ 90.0**	**$ 144.0**

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. In 2011, the cash used in operations and capital financing activities exceeded the cash provided by noncapital financing and investing activities by $7.9 million, resulting in an ending cash balance of $82.1 million. Cash decreased by $54.0 million in 2010 and increased $11.0 million in 2009. Ending cash balances in 2010 and 2009 were $90.0 and $144.0 million, respectively.

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. Extraordinary funding by the Wyoming State Legislature, coupled with generous private donations continues to provide the opportunity for UW to make great strides toward the fulfillment of its Capital Facilities Plan.

The basic concept behind the plan utilizes a land-use plan (vision map) to outline future campus developments. Construction at UW generally falls into a series of six land-use zones: Academics/Research, Housing, Student Services, General Services, Athletics and Recreation.

As noted above in the Capital Assets section, significant capital activity continued at the University of Wyoming in 2011, evidenced by $42.0 million net increase in capital assets. In 2010 and 2009, capital assets increased by $50.6 and $72.1 million, respectively.

Over the past three fiscal years, a total of $100.1 million in state appropriations restricted for capital purposes was received: $7.9, $6.8, and $85.4 million in 2011, 2010, and 2009, respectively. The improved financial condition of the university can be attributed in large part to the extraordinary support received from our State Legislators, the Governor and the people of Wyoming. This investment in higher education capital facilities is truly transforming the UW campus.

Capital Assets
(in millions)

	2011	**2010**	**2009**
Buildings	$ 513.1	$ 464.5	$ 458.4
Land and land improvements	25.8	25.6	24.1
Infrastructure	13.7	13.2	12.6
Construction in progress	139.1	138.5	89.2
Equipment	96.1	89.7	88.5
Library materials	79.1	76.9	73.0
Total cost of capital assets	866.9	808.4	745.8
Less accumulated depreciation	(325.6)	(309.1)	(297.1)
Capital Assets, net of depreciation	**$ 541.3**	**$ 499.3**	**$ 448.7**

Debt Activity

There was no new debt issued in fiscal year 2011.

In fiscal year 2010, the University of Wyoming Trustees issued $44.3 million in Facilities Improvement and Refunding Revenue Bonds in three series:

- Series 2010A - $6.6 million of Tax-Exempt Bonds
- Series 2010B - $19.7 million of Taxable Direct Payment Build America Bonds
- Series 2010C - $18.0 million of Taxable Direct Payment Build America Bonds – Recovery Zone Economic Development Bonds.

Thirty-three ($33.0) million of the proceeds are being used for a new building to house the university's Visual Arts program, and $6.0 million is being used to upgrade Downey Residence Hall's life safety and infrastructure systems. The balance of the issue refunded prior year debt.

Total Revenue Bonds Payable at June 30, 2011 equaled $73.3 million. Total Revenue Bonds Payable at June 30, 2010 and 2009 equaled $75.9 and $40.1 million, respectively.

ECONOMIC OUTLOOK

The University of Wyoming continues to enjoy an enviable level of financial support from the state legislature relative to many other public institutions of higher education. As the State of Wyoming's only public research higher education institution, UW has consistently received extraordinary, stable support from the Governor, the Wyoming Legislature, and friends (both individuals and corporations) from across the nation. The present outlook of enrollments (and therein, tuition), private support, external awards, and state appropriations anticipates limited deviations from recent years.

Over the past few years, student demand has increased modestly (low single digit percent increases per year). The fall 2010 total enrollment is the highest on record for UW. The preliminary fall 2011 total enrollment saw a reduction of 72 students, or roughly one half of one percent from the prior year. Further, by the end of the fall 2011 semester, it is possible that the 2011 total enrollment will compete for a new record. At a minimum, UW looks to maintain record levels of enrollment in the near term. Financial operations are expected to continue to be balanced, with additional debt needs targeted to specific projects for the foreseeable future. In May 2010, UW issued $44 million in debt (new debt and restructure of old debt) at the lowest interest rate in the history of the institution.

UW has benefited from strong legislative appropriations for the 2011 and 2012 state fiscal years, as well as more than $50 million in federal stimulus funding, primarily targeted for major maintenance, sponsored research, and special projects. The 2012 legislative session will consider UW's biennial budget request, whereby the State Building Commission has recently recommended over $40 million in new capital construction funding from the state's general fund and $10 million in projects supported by additional bond authorization. Further, the State Building Commission also supported major maintenance funding with state General Funds, rather than federal stimulus funding, which was used temporarily during the prior biennium.

The University's operational budget request includes over $83 million in new, or "exception," budget requests, approved by the Board of Trustees. Even if just a portion of these recommendations and requests are ultimately adopted by the Legislature, the recommendations and requests to date demonstrate opportunities for growth for UW, its programs, and employees, for a variety of one-time and recurring opportunities.

According to Wyoming's Economic Analysis Division's most recent quarterly report (2Q2011), "After a short, but severe recession, Wyoming's economy has turned around since the beginning of 2010, thanks to the robust rebound of the energy industries. The State's gradual recovery continued to be faster than the U.S. average."

According to state economic data, Wyoming's unemployment rate recently dropped to 6.0 percent in the second quarter of 2011, compared to 9.1 percent in the U.S. for the same quarter. Personal income has increased by 6.3 percent in the second quarter of 2011 from last year, and according to the quarterly report, "Wyoming's housing market was one of the best in the nation, in terms of both sales and prices, for the quarter." In fact, the report concludes, "Strong gains in population and income, and the lack of reliance upon non-prime lending to sustain home sales in recent years should leave Wyoming with few cracks in the foundation of its housing market. Indeed, Wyoming was still in fifth place across the country in home price appreciation during the 5-year period, 2Q06 to 2Q11."

Wyoming's Consensus Revenue Estimating Group (CREG), a consortium of executive and legislative agencies, reports revenue estimates for the state's General Fund for the current 2011-2012 biennium were increased by approximately $237.3 million in October 2011, over the January 2011 forecast. Looking forward to the next biennium (2013-2014), the state's General Fund revenue is projected to be $14.9 million lower than projected in the January 2011 CREG report. The report explains this and related reductions are primarily due to lowered expectations in the growth of natural gas production from levels projected in January 2011.

For mineral revenues, higher prices and production levels are projected for Wyoming oil. Higher near-term prices are projected for Wyoming's natural gas, although the report notes that "until demand increases significantly, the notion of adequate supplies, or even an over-supply, keeps our forecast in this $4.00/mcf range through the forecast period." This level reflects about $0.40 reduction per mcf from the January 2011 forecast. Coal prices and coal production levels are also expected to climb at an even faster rate than the January 2011 forecast.

Another key state tax base resides with statewide sales taxes. Sales and use tax receipts for fiscal year (FY) 2011 were up 14.1 percent from FY 2010 levels, according to the report. Further, sales taxes are projected to increase another 4.1 percent for FY 2012 and "are forecasted to level off in FY 2013 and increase nominally throughout the remainder of the forecast [through FY 2016]." The State of Wyoming does not impose an income tax.

The university anticipates regular discussions by policymakers and legislator regarding the appropriate level of total state expenditures relative to realized and anticipated tax revenue. Wyoming state government has a rich history of being fiscally conservative in order to plan for unanticipated economic conditions. As a result, according to CREG, the projected balance in the Legislative Stabilization Reserve Account (LSRA), an account established for intermediate savings, will be $1.459 billion on June 30, 2012, or 52 percent of the standard budget for the next (2013-2014) biennium. Put differently, the State of Wyoming reports sufficient cash immediately available to cover more than one year of state, generally-funded operations at their existing levels.

The economic condition and outlook for the State of Wyoming bears directly on the University of Wyoming's outlook, as the state provides a significant portion of the university's total revenue. The university's revenue stream is fairly diverse, with state appropriations accounting for 38.9% of 2011 total revenues, followed by grants and contracts at 21.8%, and net tuition and fees contributing only 7.8%. Auxiliary enterprises revenue adds another 6.9% to the revenue mix.

Notably, external funding from grants and contracts set a record in fiscal year 2010, bolstered by federal stimulus funding. Awards to faculty, research scientists and administrative personnel (financial aid, excluding direct loans) eclipsed $101.6 million, up $20.6 million over fiscal year 2009. In 2011, external funding dropped to $85.5 million, but was still the highest level ever achieved by UW in the absence of federal stimulus funding. But for the outlier of FY 2010 due to stimulus funding, external awards received in support of faculty research, research centers, institutional projects, and student educational opportunities have increased for 24 years.

Private giving to the University of Wyoming, including realized and unrealized estate giving exceeded $40 million in the fiscal year ended June 30, 2011, only the second year in recent history to eclipse the $40 million high-water mark.

These diverse and robust funding sources allow the University of Wyoming to keep tuition and fee costs low with only modest increases in rates. Resident undergraduate tuition and fees are the lowest among all U.S. public doctoral institutions in the 2011-12 academic year and well below the average of the 25 Western Undergraduate Exchange (WUE) comparator institutions. In 2010, the Board of Trustees approved two-year, consecutive five percent increases in tuition to be implemented in the fall 2010 and 2011. However, the existence of federal stimulus funds allowed the tuition increases in 2010 to be off-set by federal funds, rather than increases to student charges. The university is poised to continue to meet its constitutional charge to ***make undergraduate postsecondary education in Wyoming as free as possible to Wyoming high school graduates.***

UNIVERSITY OF WYOMING

STATEMENTS OF NET ASSETS - UNIVERSITY OF WYOMING

June 30, 2011 and 2010

ASSETS	**2011**	2010
Current Assets		
Cash and cash equivalents (Note 2)	**$ 81,363,336**	$ 87,107,018
Accounts receivable, net (Note 3)	**39,389,867**	22,125,965
Current portion of pledges receivable (Note 3)	**669,124**	692,651
Receivable from the State of Wyoming	**1,659,168**	41,025
Investments (Note 2)	**178,884,377**	153,411,052
Investments with trustee	**-**	2,499,314
Interest receivable	**303,947**	218,010
Current portion of student loans receivable, net (Note 3)	**3,780,516**	3,372,700
Inventories	**3,901,042**	3,834,867
Prepaid expenses	**2,491,524**	2,439,014
Total current assets	**312,442,901**	275,741,616
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	**701,629**	2,920,232
Investments (Note 2)	**170,192,311**	181,407,402
Prepaid expenses	**625,959**	683,798
Receivable from State of Wyoming	**67,334**	637,572
Pledges receivable, net (Note 3)	**275,000**	910,000
Loans to students, net (Note 3)	**24,816,074**	22,364,663
Other investments	**5,325,120**	4,696,070
Capital assets, net of accumulated depreciation (Notes 4 and 5)	**541,326,218**	499,338,546
Total noncurrent assets	**743,329,645**	712,958,283
Total assets	**1,055,772,546**	988,699,899
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**22,835,586**	16,287,794
Payroll and related liabilities	**22,493,516**	24,979,445
Liability under securities lending	**-**	2,499,314
Due to State of Wyoming	**1,246,450**	1,230
Deferred revenue	**10,292,250**	10,494,230
Deposits held in custody for others (Note 5)	**7,401,551**	7,859,191
Accrued compensated absences (Note 5)	**6,106,898**	6,562,931
Other post-employment benefits (Notes 5 and 10)	**954,800**	1,120,000
Current portion of revenue bonds payable (Note 5)	**2,768,000**	2,602,891
Current portion of capital lease obligations (Note 5)	**124,535**	121,122
Total current liabilities	**74,223,586**	72,528,148
Noncurrent Liabilities (Note 5)		
Deposits held in custody for others	**1,820,467**	2,206,951
Accrued compensated absences	**6,106,897**	6,562,932
Other post-employment benefits (Note 10)	**4,406,800**	1,892,000
Revenue bonds payable	**70,561,648**	73,329,650
Capital lease obligations	**437,561**	562,096
U.S. Government loans refundable	**7,057,337**	7,050,605
Total noncurrent liabilities	**90,390,710**	91,604,234
Total liabilities	**164,614,296**	164,132,382
NET ASSETS		
Invested in Capital Assets, net of related debt	**486,952,010**	462,453,674
Restricted for:		
Nonexpendable	**133,743,141**	125,576,063
Expendable:		
Scholarships, research, instruction and other	**148,637,014**	123,230,157
Loans	**28,240,545**	24,743,900
Capital projects (Note 8)	**13,331,599**	24,896,019
Unrestricted	**80,253,941**	63,667,704
Total net assets	**$ 891,158,250**	$ 824,567,517

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

COMPONENT UNIT - UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS	**2011**	2010
Cash and cash equivalents	**$ 190,253**	$ 307,685
Investments (Note 2)	**415,558,626**	353,672,845
Funds held by others	**197,466**	195,558
Pledges receivable, net (Note 3)	**15,472,226**	21,494,364
Other receivables	**472,749**	576,859
Property and equipment, at cost, net of accumulated depreciation	**469,872**	461,301
Total assets	**$ 432,361,192**	$ 376,708,612
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 2,510,609**	$ 1,546,125
Conference center bond interest payable (Note 5)	**35,253**	35,253
Vehicle loan payable	**16,073**	21,925
Bonds payable (Note 5)	**3,465,000**	3,545,000
Due to others (Note 2)	**157,871,997**	137,599,014
Total liabilities	**163,898,932**	142,747,317
Net Assets		
Unrestricted	**20,914,125**	13,187,804
Temporarily restricted	**102,599,769**	95,769,669
Permanently restricted	**144,948,366**	125,003,822
Total net assets	**268,462,260**	233,961,295
Total liabilities and net assets	**$ 432,361,192**	$ 376,708,612

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - UNIVERSITY OF WYOMING
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues (Note 12)		
Tuition and fees (net of scholarship allowances 2011 $24,038,044; 2010 $20,747,778)	**$ 42,853,851**	$ 43,468,916
Federal appropriations	**3,368,812**	4,139,698
Federal grants and contracts	**65,945,889**	45,741,453
State and local grants and contracts	**43,316,295**	32,427,574
Nongovernmental grants and contracts	**6,569,118**	6,019,626
Mineral royalty	**13,365,000**	13,365,000
Sales and services of educational departments	**10,422,178**	9,979,850
Auxiliary enterprise charges (net of scholarship allowances 2011 $5,746,722; 2010 $5,228,796)	**37,563,090**	38,088,497
Interest earned on loans to students	**316,982**	320,935
Other operating revenues	**2,660,010**	2,010,812
Total operating revenues	**226,381,225**	195,562,361
Operating Expenses (Note 11)		
Instruction	**133,240,808**	126,911,309
Research	**76,322,871**	66,731,287
Public service	**38,835,154**	34,700,584
Academic support	**23,259,909**	24,610,412
Student services	**12,819,964**	11,998,461
Institutional support	**33,623,475**	35,526,552
Operation and maintenance of plant	**33,541,149**	34,618,109
Scholarships	**66,006,257**	22,392,963
Auxiliary enterprises	**53,035,978**	51,900,979
Depreciation	**20,865,847**	19,332,612
Total operating expenses	**491,551,412**	428,723,268
Operating (loss)	**(265,170,187)**	(233,160,907)
Nonoperating Revenues (Expenses)		
State appropriations	**213,211,098**	202,455,568
Gifts	**26,838,963**	24,037,972
Investment income	**30,711,742**	16,554,523
Interest expense	**(2,924,395)**	(1,838,917)
Other nonoperating revenues	**50,663,867**	8,282,804
Net nonoperating revenues	**318,501,275**	249,491,950
Gain before other revenues, expenses, gains and losses	**53,331,088**	16,331,043
State Appropriations Restricted for Capital Purposes	**7,891,556**	6,838,871
Capital Grants and Gifts	**-**	340,472
Additions to Permanent Endowments	**5,368,089**	8,169,681
Net increase in net assets	**66,590,733**	31,680,067
Net Assets		
Beginning of year	**824,567,517**	792,887,450
End of year	**$ 891,158,250**	$ 824,567,517

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

COMPONENT UNIT - UNIVERSITY OF WYOMING FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2011 and 2010

	2011	2010
Support and Revenue		
Contributions	**$ 32,975,133**	$ 36,869,856
University of Wyoming	**837,956**	3,062,485
Donated rent	**182,806**	182,806
Interest and dividends	**3,035,574**	3,623,138
Assessments	**3,191,860**	2,865,559
Unrealized/realized net gain on investments	**51,963,661**	28,065,902
Change in value of charitable remainder trusts	**(143,180)**	147,897
Increase (decrease) in cash surrender value of life insurance policies	**(17,851)**	1,943
Other revenue	**343,764**	181,851
Total support and revenue	**92,369,723**	75,001,437
Expenses		
Program services	**55,871,473**	48,365,047
Supporting services:		
General and administrative	**1,663,032**	1,581,032
Outreach and research	**334,253**	179,472
Vision development	**-**	9,924
Total expenses	**57,868,758**	50,135,475
Change in net assets	**34,500,965**	24,865,962
Net Assets, beginning of year	**233,961,295**	209,095,333
Net Assets, end of year	**$ 268,462,260**	$ 233,961,295

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Tuition, fees and grants received	**$ 210,817,323**	$ 191,367,809
Payments to employees and fringe benefits	**(277,411,600)**	(269,690,061)
Payments to vendors and suppliers	**(120,415,631)**	(113,852,617)
Payments for scholarships	**(22,620,320)**	(22,392,963)
Loans issued to students	**(6,590,423)**	(5,960,334)
Collection of loans to students	**2,701,645**	2,431,093
Other receipts	**17,074,537**	17,551,808
Other payments	**(10,066,145)**	(10,183,126)
Net cash (used in) operating activities	**(206,510,614)**	(210,728,391)
Cash Flows from Noncapital Financing Activities		
State appropriations	**212,152,955**	206,817,983
Grants for other than capital purposes	**1,243**	1,363
Gifts for other than capital purposes	**31,887,417**	31,963,822
Net cash provided by noncapital financing activities	**244,041,615**	238,783,168
Cash Flows from Investing Activities		
Purchases of investments	**(297,802,632)**	(354,304,653)
Proceeds from sales and maturities of investments	**303,017,837**	290,032,881
Interest received on investments	**10,523,314**	9,366,882
Net cash provided by (used in) investing activities	**15,738,519**	(54,904,890)
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	**(63,798,776)**	(72,918,888)
Proceeds from sale of capital assets	**313,587**	5,733,359
Capital appropriations received	**7,901,794**	6,309,632
Proceeds of capital debt	**-**	45,100,440
Repayments of capital debt and leases	**(2,724,015)**	(9,528,593)
Interest paid on capital debt and leases	**(2,924,395)**	(1,838,917)
Net cash (used in) capital and related financing activities	**(61,231,805)**	(27,142,967)
Net (decrease) in cash and cash equivalents	**(7,962,285)**	(53,993,080)
Cash and Cash Equivalents		
Beginning of year	**90,027,250**	144,020,330
End of year	**$ 82,064,965**	$ 90,027,250

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS (Continued)
Years Ended June 30, 2011 and 2010

	2011	2010
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	**$ (265,170,187)**	$ (233,160,907)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	**20,865,847**	19,332,612
Provision for uncollectible loans and write-offs	**1,029,551**	1,175,611
Miscellaneous nonoperating income	**51,231,725**	7,428,534
Changes in assets and liabilities:		
Receivables, net	**(16,342,537)**	(4,650,659)
Inventories	**(66,175)**	418,647
Prepaid expenses	**5,329**	(402,163)
Notes receivable, net	**(3,888,778)**	(3,529,241)
Accounts payable and accrued liabilities	**6,530,831**	3,494,278
Due to State of Wyoming	**1,245,220**	(2,400)
Deferred revenue	**(201,980)**	(1,133,290)
Deposits held in custody for others	**(844,124)**	(116,984)
U.S. Government loans refundable	**6,732**	57,132
Accrued compensated absences	**(912,068)**	360,439
Total adjustments	**58,659,573**	22,432,516
Net cash (used in) operating activities	**$ (206,510,614)**	$ (210,728,391)
Noncash Investing, Capital, and Financing Activities		
Change in fair value of investments	**$ 18,501,711**	$ 28,299,529
Equipment included in accounts payable	**5,664,037**	5,353,198

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.

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 the Financial Reporting for Not-for-Profit Organizations and Accounting for Contributions Received and Contributions Made Topics of the FASB Accounting Standards Codification (ASC) (Topics). As such, certain presentation features are different from GASB presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

Financial statements for the Foundation can be obtained by contacting the Foundation at 1200 East Ivinson Avenue, Laramie, Wyoming 82070.

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.

The Alumni Association is a component unit of the University because they share common management and financial dependence. 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. All investments with original maturities of 12 months or less are accounted for at amortized cost.

The Foundation accounts for its investments at their fair values. Unrealized gains and losses are included in the change in net assets.

The Foundation's investments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1: Quoted prices available in active markets for indicated investments as of the reporting date. The type of investments which would generally be included in Level 1 include listed equity securities and listed derivatives.

Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. The types of investments which would generally be included in this category include publicly-traded securities with restrictions on disposition.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs in to the determination of fair value require significant judgment or estimation by Investment Manager. The types of investments which would generally be included in this category include debt and equity securities issued by private entities.

Other investments: Other investments consist of land not used in the operation of the University, the cash surrender value of life insurance policies, and other property held for investment. Other investments are accounted for at the lower of cost or fair value.

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

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

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

Capital assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. 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, 10 to 30 years for infrastructure and land improvements, 10 years for library materials, and 3 to 10 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.

The University evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The University will consider an asset impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The University will recognize an impairment loss when the University considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value.

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 – 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.

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.

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, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as state appropriations, investment income, and Federal non-exchange grants.

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 which can be 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.

Securities lending collateral: Securities on loan for cash collateral are reported in the statement of net assets. Liabilities resulting from the security lending transactions are also reported.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal direct loans: The University makes loans to students under the William D. Ford Federal Direct Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students through institutions like the University. Direct student loan receivables are not included in the University's combined statements of net assets as the loans are repayable directly to the U.S. Department of Education. In 2011, the University received and disbursed approximately $43,400,000 under the Federal Direct Loan Program on behalf of the U.S. Department of Education, which is included as nonoperating revenues (other nonoperating revenues) and operating expense (scholarships) on the statements of revenues, expenses, and changes in net assets.

Note 2. Deposits with Financial Institutions and Investments

Wyoming Statute 9-4-817 authorizes 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 bonds, debentures and other securities in which the State Treasurer may by law invest. Alternatively, a depository may pledge conventional real estate mortgages and notes connected with mortgages at a ratio of one and one-half to one (1½:1) of the value of public funds secured by the securities.

University investment policy specifies that internally invested funds may be invested in a combination of fixed-income, minimal risk instruments and money market funds. Investment goals for internally invested funds are designed to achieve a return to provide income, protect assets from risk and maintain liquidity to meet spending requirements. Investments are limited to collateralized bank certificates of deposit, money market funds or federally guaranteed or insured securities that mature in less than one year. Custodial services are utilized to safeguard the assets and provide monthly reports.

It is the policy of the University to invest endowment funds under a memorandum of agreement with the University of Wyoming Foundation. Investment goals for these funds are designed to achieve donor objectives, protect assets from excessive risk, provide program income and growth of the endowment and preserve the purchasing power of both the principal and the income. The Foundation Board of Directors reviews and establishes limits on market segment investment concentration, maximum investment in any company, and maximum share of portfolio per manager.

The University oversees the investment of funds for the Advance Payment of Higher Education Costs (APHEC) program through the use of an external investment firm selected by the Board of Trustees. The investment goal for APHEC is the same as for the endowments.

The University also has investments managed by the State of Wyoming Treasurer's Office. These investments are managed under the State of Wyoming Master Investment Policy.

The University has funds on deposit with the Wyoming State Treasurer's pooled investments. Deposits with the State Treasurer's pooled investments are not insured or otherwise guaranteed by the State of Wyoming, and participants share proportionally in any realized gains or losses on investments. The University's participation in the pooled investments and mutual funds may indirectly expose it to risks associated with using, holding or writing derivatives. However, specific information about any such transactions is not available to the University. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

Deposits:

At June 30, 2011 and 2010, the carrying amount of the University's demand deposits in financial institutions was $42,119,337 and $41,149,994, respectively, and the bank balances were $45,470,802 and $43,540,575, respectively. The demand deposits were fully insured with a combination of FDIC insurance and pledged collateral. All deposits were held by a qualified depository as outlined in the state statutes.

At June 30, 2011 and 2010, the University had $29,145,158 and $35,052,233, respectively, 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, 2011 and 2010, the University had $10,800,470 and $13,825,023, respectively, on deposit with the Foundation. Detailed information on the Foundation's pooled cash and investments is available from the Foundation.

At June 30, 2011 and 2010, the University had $0 and $2,920,232, respectively, that are restricted to be used for capital projects.

At June 30, 2011 and 2010, the University had $701,629 and $0, respectively, restricted for the Reclamation Ecology Endowment.

Investments:

As of June 30, 2011 and 2010, the University had investments with weighted average maturities as shown in the following table.

	2011		
	Cost or Amortized Cost	**Fair Value**	**Weighted Average Maturity in Years**
Investment Type:			
U.S. Government Sponsored Enterprise Discount Notes	**$ 180,869,584**	**$ 180,941,425**	**.49**
Certificate of Deposit	**2,400,000**	**2,400,000**	**.26**
Mutual Funds	**620,808**	**563,135**	**n/a**
	$ 183,890,392	**$ 183,904,560**	

	2010		
	Cost or Amortized Cost	Fair Value	Weighted Average Maturity in Years
Investment Type:			
U.S. Government Sponsored Enterprise Discount Notes	$ 192,093,573	$ 192,109,508	.45
Certificate of Deposit	2,400,000	2,400,000	.26
Mutual Funds	1,047,461	989,939	n/a
	$ 195,541,034	$ 195,499,447	

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from interest rate changes on internally invested funds is to limit the maturity of all securities to less than one year.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table below shows quality ratings of investments that are rated.

	2011		2010	
		Quality Rating		Quality Rating
	Fair Value	**AAA**	Fair Value	AAA
Investment Type:				
U.S. Government Sponsored Enterprise Discount Notes	**$ 180,941,425**	**$ 180,941,425**	$ 192,109,508	$ 192,109,508

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University does not have a formal investment policy for custodial credit risk. Investments are held in safekeeping by external custodians in the University's name.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Concentration of risk is not addressed in the internal investment policy. At June 30, 2011 and 2010, the University held securities from the following issuers in excess of 5% of the total portfolio: Federal Farm Credit Bank 8.91% and 2.38%, respectively, Federal Home Loan Bank 42.73% and 31.28%, respectively, Federal Home Loan Mortgage Corporation 8.14% and 8.32%, respectively, and Federal National Mortgage Corporation 27.81% and 57.57%, respectively.

***University of Wyoming Investments Held by the Foundation*:**

University owned endowment funds are held by the Foundation for investment purposes. The investment committee, following the Prudent Expert Rule, carries out the Foundation's investment policy. The Prudent Expert Rule states that a fiduciary shall manage the portfolio "with the care, skill, prudence and diligence, under circumstances then prevailing, and that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and like aims." External managers have been hired to invest in the following asset classes: equities, fixed income, absolute return, private equity/venture capital, hedged equity and real estate. A long-term target asset allocation strategy has been implemented to achieve required returns while minimizing risk. All investment vehicles selected must be in compliance with the laws of the State of Wyoming, Internal Revenue Code prohibitions on self-dealing or vehicles that would jeopardize the carrying out of the exempt purpose of the Foundation and restrictions on Unrelated Business Taxable Income.

As of June 30, 2011 and 2010, the University of Wyoming investments held by the Foundation, primarily in mutual funds, had weighted average maturities, where applicable, as shown in the following tables:

	2011		
	Historical Cost	Fair Value	Weighted Average Maturity in Years
Investment Type:			
Cash funds	**$ 1,386,098**	**$ 1,386,098**	**n/a**
Real assets	**10,191,325**	**13,385,615**	**n/a**
Private equity	**19,892,474**	**26,127,419**	**n/a**
Absolute return	**25,740,206**	**33,808,019**	**n/a**
Fixed income	**4,652,614**	**6,110,893**	**5.37**
Hedged equity	**15,268,329**	**20,053,918**	**n/a**
International equity	**12,089,775**	**15,879,101**	**n/a**
Domestic equity	**17,351,491**	**23,224,458**	**n/a**
Liquidity	**238,772**	**313,611**	**n/a**
	$ 106,811,084	**$ 140,289,132**	

	2010		
	Historical Cost	Fair Value	Weighted Average Maturity in Years
Investment Type:			
Cash funds	$ 3,293,976	$ 3,293,976	n/a
Real assets	11,199,076	12,516,940	n/a
Private equity	16,963,969	18,960,223	n/a
Absolute return	14,898,256	16,651,425	n/a
Fixed income	13,619,681	15,222,392	5.37
Hedged equity	7,388,212	8,257,628	n/a
International equity	14,074,161	15,730,353	n/a
Domestic equity	22,720,146	25,781,387	n/a
Liquidity	487,615	544,996	n/a
	$ 104,645,092	$ 116,959,320	

Interest rate risk: The Foundation has no formal policy addressing interest rate risk.

Credit risk: The high yield and fixed income bond mutual fund investments are not rated.

Custodial credit risk: The Foundation does not have a formal investment policy for custodial credit risk. Investments are held in safekeeping by external custodians in the Foundation's name.

Concentration of credit risk: The Foundation's investment policy limits concentrations as follows:

1. The initial investment in any one issuer should not exceed 10% of a manager's portfolio (with the exception of U.S. Government securities);

2. The investment with any one issuer should not exceed 15% of a manager's portfolio (with the exception of U.S. Government securities);

3. No purchases of securities of the portfolio manager's organization or of any firm with controlling interest in said organization are to be made.

At June 30, 2011 and 2010, there were no single issuer investments that exceeded 5% of the total holdings of the Foundation.

The summarized investments of the Foundation at June 30, 2011 and 2010 are as follows:

	June 30, 2011		
	Carrying Value	**Market Value**	**Unrealized Appreciation (Depreciation)**
Level 1:			
Corporate bond notes	**$ 76,322,921**	**$ 77,454,718**	**$ 1,131,797**
Government obligations	**211,653**	**211,653**	**-**
Money market funds	**16,793,837**	**16,793,837**	**-**
Other investments	**338,455**	**351,071**	**12,616**
Stock	**41,675,621**	**47,397,827**	**5,722,206**
	$ 135,342,487	**$ 142,209,106**	**$ 6,866,619**
Level 2:			
Real estate	**$ 12,741,000**	**$ 12,754,860**	**$ 13,860**
Y Cross Ranch	**4,275,397**	**4,275,397**	**-**
International equity	**16,365,612**	**22,069,584**	**5,703,972**
Domestic trust	**11,335,689**	**18,402,828**	**7,067,139**
Private equity funds	**825,949**	**679,029**	**(146,920)**
Absolute return hedge funds	**9,000,000**	**15,055,239**	**6,055,239**
Long/short hedge funds	**24,000,000**	**28,646,979**	**4,646,979**
	$ 78,543,647	**$ 101,883,916**	**$ 23,340,269**
Level 3:			
Insurance	**$ 247,564**	**$ 247,564**	**$ -**
Other investments	**8,805**	**8,805**	**-**
Private equity funds	**46,047,969**	**58,619,068**	**12,571,099**
Absolute return hedge funds	**39,806,514**	**60,820,485**	**21,013,971**
Real estate and energy funds	**23,030,446**	**30,031,756**	**7,001,310**
Long/short hedge funds	**16,242,427**	**21,737,926**	**5,495,499**
	$ 125,383,725	**$ 171,465,604**	**$ 46,081,879**
Combined Total	**$ 339,269,859**	**$ 415,558,626**	**$ 76,288,767**

	June 30, 2010		
	Carrying Value	Market Value	Unrealized Appreciation (Depreciation)
Level 1:			
Corporate bond notes	$ 81,929,955	$ 82,554,157	$ 624,202
Government obligations	1,717,219	1,717,219	-
Money market funds	21,782,920	21,782,920	-
Other investments	330,830	341,816	10,986
Stock	29,268,490	27,634,471	(1,634,019)
	$ 135,029,414	$ 134,030,583	$ (998,831)
Level 2:			
Real estate	$ 3,551,000	$ 3,551,000	$ -
Y Cross Ranch	4,275,397	4,275,397	-
International equity	23,238,634	24,318,218	1,079,584
Domestic trust	38,962,343	39,560,676	598,333
Private equity funds	1,060,184	741,699	(318,485)
Absolute return hedge funds	9,000,000	14,033,823	5,033,823
Long/short hedge funds	8,450,955	8,496,784	45,829
	$ 88,538,513	$ 94,977,597	$ 6,439,084
Level 3:			
Insurance	$ 265,415	$ 265,415	$ -
Other investments	8,803	8,803	-
Private equity funds	40,744,345	41,628,938	884,593
Absolute return hedge funds	24,862,281	40,714,852	15,852,571
Real estate and energy funds	24,242,789	27,482,108	3,239,319
Long/short hedge funds	12,742,426	14,564,549	1,822,123
	$ 102,866,059	$ 124,664,665	$ 21,798,606
Combined Total	$ 326,433,986	$ 353,672,845	$ 27,238,859

The University and Foundation have invested in alternative investments defined as hedge funds, private equity, venture capital and other investments for which the fair market value is not readily attainable. Because the alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. At June 30, 2011 and 2010, the alternative investments held by the Foundation were $89,329,853 and $69,852,745, respectively.

***University of Wyoming Investments Held by the State of Wyoming*:**

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

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

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

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

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

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

The University investments held by the State Treasurer's Office at June 30, 2011 and 2010 are presented as follows:

	2011		2010	
	Fair Value	**Percentage**	Fair Value	Percentage
Investment Type:				
Fixed income investments	**$ 18,569,095**	**68.06%**	$ 17,739,314	71.65%
Equity investments	**6,458,435**	**23.67%**	5,049,154	20.39%
Alternative investments	**2,246,626**	**8.24%**	1,947,853	7.87%
Total currency fund	**8,840**	**0.03%**	23,366	0.09%
Total investments	**$ 27,282,996**	**100.00%**	$ 24,759,687	100.00%

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

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

- Funds are analyzed by asset class including cash to determine if securities need to be purchased or sold.
- Future needs are determined and current positions are reviewed.
- Economic, market and interest rate assumptions are considered.
- Securities are selected based on market value, price and availability.
- Trades are executed to raise cash, to shift maturity, to change asset mix, to enhance yield and to improve quality.

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

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

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

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

Note 3. Loans, Accounts Receivable and Pledges Receivable

Loans receivable: Approximately 70% of the University's loans receivable are loans made under medical, dental and nursing school contracts. These are loans made to students for the completion of medical, dental and nursing schools and contain special clauses regarding repayment. The standard repayment terms under the medical, dental and psychiatric nursing school contracts are as follows:

Medical 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.

Medical contracts for the 1993-1994 school year through the 2003-2004 school year: Payments consist of 96 equal monthly installments with interest accruing at an annual rate equal to the effective interest rate for Federal Stafford loans, with a maximum 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 outstanding balance the first year, one-half of the outstanding balance the second year, and the remaining balance for the third year of practicing full-time medicine.

Medical contracts for the 2004-2005 school year and thereafter and Dental contracts for the 2007-2008 school year and thereafter: Payments consist of 96 equal monthly installments with interest accruing at an annual rate equal to the effective interest rate for Federal Stafford loans, with a maximum of 8% beginning the earlier of completion of the residency program or eight 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 balance of loans made under medical and dental school contracts is canceled upon practicing full-time medicine or dentistry in the State of Wyoming. The balance is canceled at a rate of one-third outstanding balance for the first year, one-half of the outstanding balance the second year and the remaining balance for the third year of practicing full-time medicine or dentistry in the State of Wyoming.

Psychiatric Nursing contracts for the 2007-2008 school year and thereafter: Payments consist of 48 equal monthly installments with interest accruing at an annual rate equal to the effective interest rate for Federal Stafford loans, with a maximum of 8% beginning at the end of the program or when the student drops out of or fails to make satisfactory progress toward the degree.

The outstanding balance of loans made under the nursing school contract is canceled upon practicing full-time as a psychiatric nurse in the State of Wyoming. The balance is canceled at a rate of one-half for the first year and the remaining balance for the second year of full-time psychiatric nursing practice.

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

Medical, dental, and nursing 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 statements of net assets at June 30, 2011 and 2010 as follows:

	2011		2010	
	Accounts Receivable	**Pledges Receivable**	Accounts Receivable	Pledges Receivable
Total receivable	**$ 41,320,438**	**$ 1,007,819**	$ 24,255,819	$ 1,650,706
Less allowance for doubtful accounts	**(1,930,571)**	**(63,695)**	(2,129,854)	(48,055)
Net receivable	**$ 39,389,867**	**$ 944,124**	$ 22,125,965	$ 1,602,651

Included in the amounts above is $22,825,517 and $7,733,266, which is due from the U.S. Government at June 30, 2011 and 2010, respectively.

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, 2011 and 2010:

	2011	2010
Due within 1 year	**$ 7,854,308**	$ 12,108,572
Due 1 to 5 years	**7,756,091**	9,212,932
Due 5 years and later	**1,052,323**	1,826,821
	16,662,722	23,148,325
Less allowance for uncollectible pledges	**657,660**	879,439
Less discount to present value	**532,836**	774,522
Total pledges receivable	**$ 15,472,226**	$ 21,494,364

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2011 and 2010:

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 11,629,466	$ 244,605	$ -	$ -	$ 11,874,071
Land improvements	2,624,144	-	-	-	2,624,144
Construction in progress	138,499,896	50,208,462	(49,604,407)	-	139,103,951
Total capital assets not being depreciated	$ 152,753,506	$ 50,453,067	$ (49,604,407)	$ -	$ 153,602,166
Other capital assets:					
Infrastructure	$ 13,167,903	$ 513,261	$ -	$ -	$ 13,681,164
Land improvements	11,316,276	26,646	-	-	11,342,922
Buildings	464,547,887	1,728,843	47,143,480	(360,000)	513,060,210
Furniture, fixtures and equipment	89,746,570	8,733,480	2,460,927	(4,832,926)	96,108,051
Library materials	76,890,759	2,222,872	-	-	79,113,631
Total other capital assets	655,669,395	13,225,102	49,604,407	(5,192,926)	713,305,978
Less accumulated depreciation for:					
Infrastructure	(10,672,795)	(242,173)	-	-	(10,914,968)
Land improvements	(5,182,704)	(522,059)	-	-	(5,704,763)
Buildings	(162,909,289)	(9,900,524)	-	7,200	(172,802,613)
Furniture, fixtures and equipment	(66,485,043)	(7,526,006)	-	4,361,076	(69,649,973)
Library materials	(63,834,524)	(2,675,085)	-	-	(66,509,609)
Total accumulated depreciation	(309,084,355)	(20,865,847)	-	4,368,276	(325,581,926)
Other capital assets, net	$ 346,585,040	$ (7,640,745)	$ 49,604,407	$ (824,650)	$ 387,724,052
Capital asset summary:					
Capital assets not being depreciated	$ 152,753,506	$ 50,453,067	$ (49,604,407)	$ -	$ 153,602,166
Other capital assets, at cost	655,669,395	13,225,102	49,604,407	(5,192,926)	713,305,978
Total cost of capital assets	808,422,901	63,678,169	-	(5,192,926)	866,908,144
Less accumulated depreciation	(309,084,355)	(20,865,847)	-	4,368,276	(325,581,926)
Capital assets, net	$ 499,338,546	$ 42,812,322	$ -	$ (824,650)	$ 541,326,218

	Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:					
Land	$ 10,384,104	$ 1,245,362	$ -	$ -	$ 11,629,466
Land improvements	2,475,439	148,705	-	-	2,624,144
Construction in progress	89,201,513	59,168,134	(6,569,751)	(3,300,000)	138,499,896
Total capital assets not being depreciated	$ 102,061,056	$ 60,562,201	$ (6,569,751)	$ (3,300,000)	$ 152,753,506
Other capital assets:					
Infrastructure	$ 12,567,908	$ 149,995	$ 450,000	$ -	$ 13,167,903
Land improvements	11,218,703	30,349	67,224	-	11,316,276
Buildings	458,368,362	3,274,222	5,769,583	(2,864,280)	464,547,887
Furniture, fixtures and equipment	88,562,366	6,744,339	282,944	(5,843,079)	89,746,570
Library materials	73,068,396	3,822,363	-	-	76,890,759
Total other capital assets	643,785,735	14,021,268	6,569,751	(8,707,359)	655,669,395
Less accumulated depreciation for:					
Infrastructure	(10,460,106)	(212,689)	-	-	(10,672,795)
Land improvements	(4,661,737)	(520,967)	-	-	(5,182,704)
Buildings	(155,886,767)	(9,032,490)	-	2,009,968	(162,909,289)
Furniture, fixtures and equipment	(65,003,584)	(6,940,233)	-	5,458,774	(66,485,043)
Library materials	(61,105,591)	(2,728,933)	-	-	(63,834,524)
Total accumulated depreciation	(297,117,785)	(19,435,312)	-	7,468,742	(309,084,355)
Other capital assets, net	$ 346,667,950	$ (5,414,044)	$ 6,569,751	$ (1,238,617)	$ 346,585,040
Capital asset summary:					
Capital assets not being depreciated	$ 102,061,056	$ 60,562,201	$ (6,569,751)	$ (3,300,000)	$ 152,753,506
Other capital assets, at cost	643,785,735	14,021,268	6,569,751	(8,707,359)	655,669,395
Total cost of capital assets	745,846,791	74,583,469	-	(12,007,359)	808,422,901
Less accumulated depreciation	(297,117,785)	(19,435,312)	-	7,468,742	(309,084,355)
Capital assets, net	$ 448,729,006	$ 55,148,157	$ -	$ (4,538,617)	$ 499,338,546

During June 30, 2010, additions to accumulated depreciation and current year equipment additions include $102,700 which relates to reinstated idle equipment for the prior year and is not included in the current year depreciation expense.

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

Long-term liability activity for the year ended June 30, 2011 and 2010 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds payable	$ 75,932,541	$ -	$ 2,602,893	$ 73,329,648	$ 2,768,000
Capital lease obligations	683,218	-	121,122	562,096	124,535
Total bonds and capital leases	76,615,759	-	2,724,015	73,891,744	2,892,535
Other liabilities:					
Accrued compensated absences	13,125,863	6,706,970	7,619,038	12,213,795	6,106,898
Deposits held in custody for others	10,066,142	-	844,124	9,222,018	7,401,551
Other post-employment benefits	3,012,000	2,349,600	-	5,361,600	954,800
U.S. Government loans refundable	7,050,605	6,732	-	7,057,337	-
Total other liabilities	33,254,610	9,063,302	8,463,162	33,854,750	14,463,249
Total long-term liabilities	$ 109,870,369	$ 9,063,302	$ 11,187,177	$ 107,746,494	$ 17,355,784

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds payable	$ 40,142,145	$ 45,045,519	$ 9,255,123	$ 75,932,541	$ 2,602,891
Capital lease obligations	901,767	54,921	273,470	683,218	121,122
Total bonds and capital leases	41,043,912	45,100,440	9,528,593	76,615,759	2,724,013
Other liabilities:					
Accrued compensated absences	12,765,424	7,771,865	7,411,426	13,125,863	6,562,931
Deposits held in custody for others	10,183,126	-	116,984	10,066,142	7,859,191
Other post-employment benefits	1,506,000	1,506,000	-	3,012,000	1,120,000
U.S. Government loans refundable	6,993,473	57,132	-	7,050,605	-
Total other liabilities	31,448,023	9,334,997	7,528,410	33,254,610	15,542,122
Total long-term liabilities	$ 72,491,935	$ 54,435,437	$ 17,057,003	$ 109,870,369	$ 18,266,135

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 Revenue Bonds Series 2004, the Facilities Improvement Revenue Bonds Series 2005, the Revenue Refunding Bond Series 2009, and the Facilities Improvement and Refunding Revenue Bonds Series 2010.

The proceeds of the 2010 Facilities Improvement and Refunding Revenue Bonds were used to advance refund a portion of the outstanding 2001 Facilities Improvement Revenue Bonds and fund construction of a visual arts facility and renovation of a residence hall. The Series 2010 C and B Bonds were issued as taxable direct payment Build America Bonds and Recovery Zone Economic Development Bonds, respectively, and are eligible for a Federal direct payment on each interest payment date of 35% and 45% of the interest due on that date.

The refunding resulted in a gain of $105,985 and an estimated reduction in cash flow to service the debt of $540,000. The economic gain on the refunding is $465,000.

Revenue bonds payable consist of the following at June 30, 2011:

	Authorized and Issued	Interest Rates	Bonds Outstanding at June 30, 2011
Facilities Improvement Revenue Bonds:			
Series 2010 A	6,585,000	2.50-5.125%	6,445,000
Series 2010 B	19,730,000	4.10-5.83%	19,730,000
Series 2010 C	18,000,000	5.80%	18,000,000
Revenue Refunding Bonds Series 2009	7,755,000	3.00-4.00%	6,410,000
Facilities Improvement Revenue Bonds Series 2005	16,000,000	4.25-5.00%	12,545,000
Facilities Improvement Revenue Bonds Series 2004	11,100,000	4.375-5.00%	8,825,000
	79,170,000		71,955,000
Original issue discount/premium			1,374,648
			73,329,648

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

	Principal	Interest
2012	$ 2,595,000	$ 2,780,735
2013	2,695,000	2,680,623
2014	2,790,000	2,583,198
2015	2,890,000	2,483,429
2016	3,000,000	2,374,704
2017-2021	16,940,000	9,813,522
2022-2026	21,115,000	5,886,930
2027-2030	19,930,000	1,623,796
	71,955,000	$ 30,226,937
Original issue discount premium	1,374,648	
	$ 73,329,648	

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 4.5% 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 13.331% 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, 2011:

	Airplane	Other Equipment	Total
2012	$ 135,907	$ 15,224	$ 151,131
2013	135,907	15,224	151,131
2014	135,907	15,224	151,131
2015	135,907	15,224	151,131
2016	22,664	-	22,664
Total minimum lease payments	566,292	60,896	627,188
Less amount representing interest	(50,810)	(14,282)	(65,092)
Net present value of minimum lease payments	$ 515,482	$ 46,614	$ 562,096

The cost of assets acquired under capital lease is $1,763,921. Accumulated amortization as of June 30, 2011 is $1,728,833. Amortization of leased assets is included in depreciation expense.

Bonds payable: The Foundation issued revenue bonds in the aggregate principal amount of $3,700,000, pursuant to an Indenture of Trust, dated November 2007, by and between the Foundation and Wells Fargo Bank, N.A. The aggregate amount includes $1,155,000 of serial bonds and $2,545,000 of term bonds. The proceeds were used by the Foundation to help finance the cost of constructing and equipping the Conference Center located at 22nd Street and Grand Avenue in Laramie, Wyoming. The bonds bear interest from the date of issue to maturity or earlier redemption with interest payable semi-annually on May 1 and November 1 of each year. The Foundation has made all required debt payments.

The debt service requirements for the Bonds are as follows:

Year	Principal Due November 1	Interest	Interest Rate	Annual Debt Service
2011	$ 80,000	$ 207,316	5.30%	$ 287,316
2012	85,000	203,076	5.40%	288,076
2013	90,000	198,486	5.45%	288,486
2014	95,000	193,581	5.55%	288,581
2015	100,000	188,309	5.60%	288,309
2016-2020	605,000	847,755	5.65-5.95%	1,452,755
2021-2025	800,000	647,945	5.95-6.15%	1,447,945
2026-2027	1,610,000	186,345	6.15%	1,796,345
	$ 3,465,000	$ 2,672,813		$ 6,137,813

The bonds maturing on or after November 1, 2018 are redeemable by the Foundation on any date after November 1, 2017, in whole or in part, at a redemption price equal to 100% of the principal amount of the bonds being redeemed and accrued interest to the redemption date.

The bonds maturing on November 1, 2022 and November 1, 2027 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date.

Since the Foundation no longer has an interest in the Conference Center, they were required by the Bond Counsel to transfer funds in the amount of $3.7 million to certain “permitted investments” to satisfy future obligations on the bonds.

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 is $100,000/$200,000 for property and $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, 2011 and 2010:

	2011	2010
Unpaid claims, beginning of fiscal year	**$ 750,000**	$ 750,000
Claims incurred	**150,177**	135,060
Claims paid	**(150,177)**	(135,060)
Unpaid claims liability, end of fiscal year	**$ 750,000**	$ 750,000

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 $655 per month for a single participant, $1,300 for a participant plus his/her spouse, $995 for a participant plus children, $1,487 per participating family, or $743 for married couples both of which are employed by the University or another State agency for insurance premiums for covered participants towards these plans. Participants are responsible for paying premium charges in excess of this amount.

The University participates in a long-term disability program and contributes 100% of the premium per month for each eligible employee at the rate of $0.29 per $100 of payroll. The University does not retain any risk of loss for the long-term disability program as the insurance carrier assumes all the risk for claims incurred by participants.

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 as an enterprise fund 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 to the State for workers' compensation during fiscal years 2011 and 2010 were $1,454,953 and $1,465,639, respectively.

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 2011 and 2010 are as follows for the University's participation in the Unemployment Compensation Act program:

	2011	2010
Unpaid claims, beginning of fiscal year	**$ -**	$ -
Claims incurred	**219,532**	390,639
Claims paid	**(219,532)**	(390,639)
Unpaid claims liability, end of fiscal year	**$ -**	$ -

Note 7. 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 $274,618,179. As of June 30, 2011, the remaining commitment to complete these projects totaled approximately $55,980,741. These completion costs will be financed by a combination of State appropriations and private gifts and grants.

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

Note 9. Retirement and Pension Plans

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

Participants in WRS who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. WRS also provides death and disability benefits. Benefits are established by State statutes. The WRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

As of July 1, 2010, statutes require that 14.12% 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 12.69% of the employee's gross salary funded primarily through appropriations from the State Legislature. The employee contributes the remaining 1.43%. For the year ended June 30, 2011, the University's contribution to the WRS was $7,292,945. Prior to July 1, 2010, the required contribution was 11.25% of which the University contributed the entire amount. The required contributions for the years ended June 30, 2009 and 2010 were $6,417,228 and $6,671,042, respectively.

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. As of July 1, 2010, TIAA-CREF also requires contributions of 14.12% 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 12.69% of the employee's gross salary with the employee contributing the remaining 1.43%. Contributions are funded as accrued and are immediately vested. The University's contribution for the year ended June 30, 2011 was $14,575,561. Prior to July 1, 2010, the required contribution was 11.25% of which the University contributed the entire amount. The required contributions for the years ended June 30, 2009 and 2010 were $12,603,101 and $13,086,902, respectively.

Additionally, the University contributed 1% of benefited payroll to the State as a subsidy for retiree benefits. The contributions for the years ended June 30, 2009, 2010 and 2011 were $1,024,905, $649,967 and $1,065,233, respectively. This amount included $411,014 in excess contributions for the year ended June 30, 2009. These excess contributions reduced the contributions for the year ended June 30, 2010.

Note 10. Postemployment Benefits Other Than Pensions

Plan description: The University of Wyoming participates in one single-employer postemployment plan, for healthcare and life insurance. The Board of Trustees (the "Board") has the authority for establishing and amending this plan. This plan does not have a separate report.

Under the healthcare plan, any employee who retires and has completed twenty-five (25) years of service with the University or has fifteen (15) years of University service immediately preceding the date of retirement shall receive a benefit of conversion of up to 960 hours of accrued sick leave to a state contribution for group health insurance. The conversion is a rate of 1.5 months of coverage for each five (5) days of sick leave (a maximum of 36 months of premiums). There are 3,022 active employees and 564 retirees participating in the plan as of July 2010, the census date used for the actuarial valuation. As of June 30, 2011, there are 3,022 active employees and 576 retirees participating in the plan

Under the life insurance plan, any employee who retires and has completed twenty-five (25) years of service with the University or who has attained the age of 60 with fifteen (15) years of immediately preceding University service can also have a one-half of his/her life insurance premium paid by the University.

Funding policy: The University finances this program on a pay-as-you-go basis. The Board has the authority for establishing and amending the funding policy.

Annual OPEB cost and OPEB obligation: The major component of the University's annual other postemployment benefit (OPEB) cost is the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC is the sum of the normal cost and the amortization of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over the maximum allowable period of 30 years on an open basis.

The other components of the annual OPEB cost are one year's interest on the net OPEB obligation at the beginning of the year and adjustment to the ARC. The adjustment to the ARC is the discounted present value of the net OPEB obligation at the beginning of the year.

The table below shows the components of the University's annual OPEB cost for the fiscal years 2011 and 2010, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

	2011	2010
Annual required contribution	$ 2,889,200	$ 2,027,000
Interest on net OPEB obligation	105,400	117,000
Adjustment to annual required contribution	(103,900)	97,000
Annual OPEB cost (expense)	2,890,700	2,241,000
Employer contributions	(541,100)	(735,000)
Increase in net OPEB obligation	2,349,600	1,506,000
Net OPEB obligations, beginning of year	3,012,000	1,506,000
Net OPEB obligations, end of year	$ 5,361,600	$ 3,012,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2011 and 2010 was as follows:

	2011	2010
Annual OPEB cost	$ 2,890,700	$ 2,241,000
Percentage of annual OPEB cost contributed	18.70%	32.80%
Net OPEB obligation	$ 5,361,000	$ 3,012,000

Funded status and funding progress: As of July 1, 2010, the actuarial valuation date, the actuarial accrued liability for benefits was $22,742,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2011 was $178,598,848, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.7%. As of July 1, 2008, the actuarial valuation date, the actuarial accrued liability for benefits was $15,130,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2009 was $168,254,382, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Methods and assumptions: Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Valuation date – July 1, 2010

Discount rate – 3.50% annual

Census data – as of July 2010

Actuarial cost method – projected unit credit with benefits attributed from the date of hire to expected retirement age.

Amortization method – the unfunded actuarial accrued liability is amortized over the maximum acceptable period of 30 years on an open basis. It is calculated with an assumption that payroll increases by 3.5% per year.

Health care cost trend rate – the following annual trend rates are applied on a select and ultimate basis:

Benefit	Select	Ultimate
Medical	10.0%	5.0%
Dental	5.0%	5.0%

Select trends are reduced by 0.5% each year until reaching the ultimate trend.

Retiree contributions – these are assumed to increase with health care cost trend.

Retirement age – Annual retirement probabilities have been determined based on age and years of service.

Mortality – RP-2000 Table, applied on a gender-specific basis.

Termination – The rate of withdrawal for reasons other than death and retirement depend upon years of service in the first five years of employment and age thereafter. These rates are dependent on an employee's age, year of service, and gender.

Plan participation percentage – It is assumed that 95% of all future retirees and their dependents who are eligible for benefits participate in the postemployment benefit plan.

Spousal coverage – The assumed number of eligible spouses is based on the current census information.

Salary increase assumption – 3.5% per annum.

Note 11. Natural Classifications with Functional Classifications

The University's operating expenses by natural classification for June 30, 2011 and 2010 were as follows:

2011

	Natural Classification				
Functional Classification	**Compensation and Benefits**	**Supplies and Services**	**Depreciation**	**Scholarships**	**Total**
Instruction	**$ 114,230,613**	**$ 19,010,195**	**$ -**	**$ -**	**$ 133,240,808**
Research	**44,441,756**	**31,881,115**	**-**	**-**	**76,322,871**
Public service	**25,442,568**	**13,392,586**	**-**	**-**	**38,835,154**
Academic support	**19,175,096**	**4,084,813**	**-**	**-**	**23,259,909**
Student services	**8,233,565**	**4,586,399**	**-**	**-**	**12,819,964**
Institutional support	**28,093,360**	**5,530,115**	**-**	**-**	**33,623,475**
Operation of plant	**12,069,512**	**21,471,637**	**-**	**-**	**33,541,149**
Scholarships	**-**	**-**	**-**	**66,006,257**	**66,006,257**
Auxiliary enterprises	**24,671,326**	**28,364,652**	**-**	**-**	**53,035,978**
Depreciation	**-**	**-**	**20,865,847**	**-**	**20,865,847**
Total expenses	**$ 276,357,796**	**$ 128,321,512**	**$ 20,865,847**	**$ 66,006,257**	**$ 491,551,412**

2010

	Natural Classification				
Functional Classification	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
Instruction	$ 113,800,018	$ 13,111,291	$ -	$ -	$ 126,911,309
Research	42,729,032	24,002,255	-	-	66,731,287
Public service	24,453,132	10,247,452	-	-	34,700,584
Academic support	18,541,647	6,068,765	-	-	24,610,412
Student services	8,081,130	3,917,331	-	-	11,998,461
Institutional support	28,751,715	6,774,837	-	-	35,526,552
Operation of plant	12,539,184	22,078,925	-	-	34,618,109
Scholarships	-	-	-	22,392,963	22,392,963
Auxiliary enterprises	24,041,928	27,859,051	-	-	51,900,979
Depreciation	-	-	19,332,612	-	19,332,612
Total expenses	$ 272,937,786	$ 114,059,907	$ 19,332,612	$ 22,392,963	$ 428,723,268

Note 12. 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	**2011**	2010
Assets:		
Current assets	**$ 53,318,428**	$ 65,286,884
Noncurrent assets	**1,274,494**	1,317,791
Total assets	**$ 54,592,922**	$ 66,604,675
Liabilities:		
Current liabilities	**$ 24,748,389**	$ 41,102,158
Noncurrent liabilities	**706,575**	555,789
Total liabilities	**$ 25,454,964**	$ 41,657,947
Net assets:		
Invested in equipment	**$ 597,898**	$ 583,356
Restricted for maintenance required by bond resolution	**500,000**	500,000
Restricted for capital projects	**2,288,706**	2,036,531
Unrestricted	**25,751,354**	21,826,841
Total net assets	**$ 29,137,958**	$ 24,946,728

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	2011	2010
Operating revenues:		
Sales	$ 19,514,332	$ 19,374,974
Rents and fees	16,192,609	16,482,378
Nonenterprise revenue	14,265,000	14,265,000
Miscellaneous	379,404	636,257
Total operating revenues	50,351,345	50,758,609
Operating expenses:		
Operating expenses	29,035,784	29,856,037
Depreciation	220,794	261,845
Total operating expenses	29,256,578	30,117,882
Operating income	21,094,767	20,640,727
Nonoperating revenues, investment income	4,156,613	1,630,514
Nonoperating expenses and other items:		
Interest on indebtedness	(3,887,555)	(1,777,071)
Retirement of indebtedness	(2,462,606)	(3,900,962)
Expanded for plant facilities	(16,101,909)	(1,184,031)
Mandatory transfers	(2,379,474)	246,517
Nonmandatory transfers	3,771,394	(18,478,337)
Total nonoperating expenses and other items	(21,060,150)	(25,093,884)
(Decrease) in net assets	4,191,230	(2,822,643)
Net assets, beginning of year	24,946,728	27,769,371
Net assets, end of year	$ 29,137,958	$ 24,946,728

Condensed Statement of Cash Flows	2011	2010
Net cash provided by operating activities	$ 21,312,930	$ 21,925,106
Net cash provided by (used in) capital financing activities	(38,830,780)	31,601,811
Net cash provided by (used in) noncapital financing activities	2,284,929	(18,231,819)
Net cash provided by (used in) investing activities	28,287,801	(37,005,893)
Net increase (decrease) in cash	13,054,880	(1,710,795)
Cash and cash equivalents, beginning of year	22,638,887	24,349,682
Cash and cash equivalents, end of year	$ 35,693,767	$ 22,638,887

Note 13. Subsequent Event

The Trustees of the University of Wyoming are discussing the issuance of Facilities Improvement and Refunding Revenue Bonds, Series 2011 pursuant to the provisions of Wyoming Statute §21-17-402 through §21 -17-450, for the purpose of providing moneys: (i) to purchase, erect, alter, remodel, expand, improve, repair, furnish and equip buildings, improvements and facilities for use by the University of Wyoming, specifically a joint facility to be located at the University of Wyoming/Casper College Center located in Casper, Wyoming, (ii) to advance refund a portion of the issuer's outstanding Facilities Improvement Revenue Bonds, Series 2004, and (iii) to pay certain expenses in connection with the issuance of the Series 2011 Bonds. The Trustees are expected to approve the $16,065,000 revenue bond issue at their regular board meeting in November, 2011.