

UNIVERSITY OF WYOMING

FINANCIAL REPORT

JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of Wyoming
Laramie, Wyoming

We have audited the accompanying statement of net assets of the University of Wyoming, a component unit of the State of Wyoming, as of June 30, 2006, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Wyoming Foundation, which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Wyoming Foundation component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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, 2006, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 2, the financial statements of the University of Wyoming and University of Wyoming Foundation include investments valued at \$70,175,480 (9.65% of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, 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 19, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Wyoming's basic financial statements. The other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cheyenne, Wyoming
October 13, 2006

University of Wyoming
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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 for the fiscal year ended June 30, 2006, with selected comparative information for the year ended June 30, 2005. 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 180 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 unit, the Cowboy Joe Club. Cowboy Joe Club financial activities are incorporated in the university's financial statements as a whole; discrete presentation is not required. 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 presented with the university's financial statements and a total column combining both entities is presented. Activity between the university and the foundation has been eliminated in the Financial Report.

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

- The assets of the university exceeded liabilities as of June 30, 2006, by \$543.4 million. These **net assets** represent the residual interest in the university's assets after liabilities are deducted, and are one indicator of the current financial condition of the university. Of the \$543.4 million in total net assets, 46% or \$251.2 million (net of related debt) is invested in capital assets, 49% or \$267.2 million is restricted as to use (\$120.4 million is nonexpendable – endowments required to be retained in perpetuity – and \$146.8 million is expendable for scholarships, research, instruction, loans or capital projects), while 5% or \$25 million is unrestricted and may be used to meet ongoing obligations.
- The university's net assets increased by \$37.5 million this fiscal year: a 7.4% increase. An **increase in net assets** over time is one indicator of an institution's improving financial health. The excess of operating and nonoperating revenues over operating expenses accounts for 62% or \$23.3 million of the increase and additions to permanent endowments contribute 30% or \$11.2 million. State appropriations restricted for capital purposes account for 8% or \$3 million of the increase and are discussed in detail in the Capital Activity section below. See the Statement of Net Assets section below for more information.

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 Statement No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the university's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Together with GASB 39, which requires

inclusion of the University of Wyoming Foundation's financial information, the focus is on the university's resources as a whole.

For comparison purposes, the MD&A discusses fiscal years 2005 and 2006. The accompanying financial statements however, contain fiscal year 2006 information only. Comparative financial statements are presented as supplementary schedules following the notes to the financial statements.

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. In fiscal year 2006, revenues categorized as nonoperating (\$183.9 million) funded nearly 59% of the university's regular operating expenses (\$312.2 million).

Under this required reporting format, operating expenses will always exceed operating revenues and the Statement of Revenues, Expenses and Changes in Net Assets will reflect a loss from operations every year. For the fiscal year ended June 30, 2006, operating revenues totaled \$154.6 million, operating expenses were \$312.2 million, resulting in a loss from operations of \$157.6 million. Nonoperating revenues totaled \$183.9 million, while nonoperating expenses, consisting primarily of interest expense, totaled \$3 million. As a result, income before other revenues (state appropriations restricted for capital purposes and additions to permanent endowments) is \$23.3 million.

Scholarships and fellowships applied to student accounts are shown as a reduction of student tuition and auxiliary service revenues, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. For the year ended June 30, 2006, scholarships and fellowships totaled \$24.5 million, of which \$17.1 million represents amounts applied to student accounts, while \$7.4 million was paid directly to students.

Instead of reflecting expenditures for purchases of capital assets, the recognition of **depreciation expense** on capital assets is recorded. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements. For the year ended June 30, 2006, capital assets (net of depreciation) increased by 8.8% or \$23.5 million to a total of \$289.8 million. Depreciation expense totaled \$15.7 million.

Deferred revenue consists primarily of unexpended cash advances received from contract and grant sponsors, which have not yet been earned under the terms of the agreements. It also includes amounts received in advance, including student tuition and advance ticket sales.

Deferred revenue as of June 30, 2006, was \$8.4 million, an increase of 6.1% or \$.5 million from the 2005 level.

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.

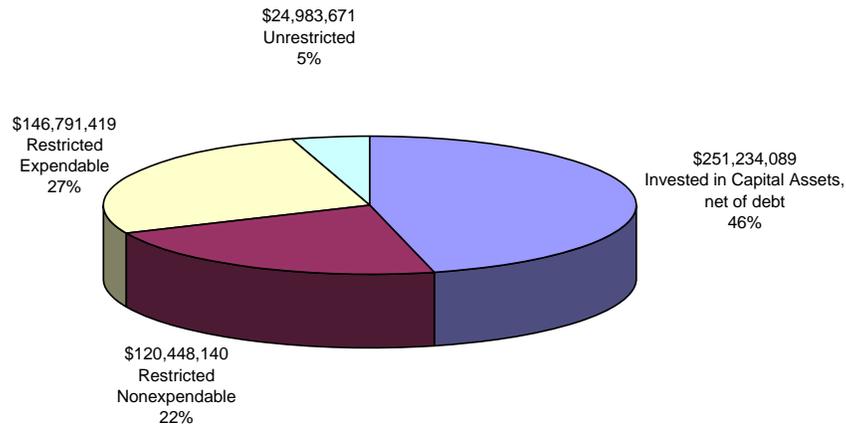
A condensed Statement of Net Assets at June 30, 2005 and 2006, as well as a graphic display of the net asset categories as of June 30, 2006, is presented below.

Statement of Net Assets
(in millions)

	2006	2005
Current Assets:	\$ 151.9	\$ 139.0
Noncurrent assets:		
Investments	144.3	135.1
Capital assets, net of accumulated depreciation	289.8	266.3
Other assets	90.9	96.7
Total Assets	676.9	637.1
Current Liabilities	59.5	54.1
Noncurrent Liabilities	74.0	77.1
Total Liabilities	133.5	131.2
Net Assets:		
Invested in capital assets, net of related debt	251.2	232.1
Restricted:		
Nonexpendable	120.4	98.0
Expendable	146.8	156.0
Unrestricted	25.0	19.8
Total Net Assets	\$ 543.4	\$ 505.9

Net Assets - June 30, 2006

\$543,457,319



The Statement of Net Assets shows that the university continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, sensible management of its endowments and investments, and conservative utilization of debt.

Total Assets

Total assets increased 6.3% or \$39.8 million during fiscal year 2006 to a total of \$676.9 million. In fiscal year 2005, they increased 23.5% or \$121.2 million to \$637.1 million. Total assets include both current assets (generally considered to be convertible to cash within one year) and noncurrent assets. Current assets increased 9.3%, or \$12.9 million between 2005 (\$139 million) and 2006 (\$151.9 million), while noncurrent assets increased 5.4% or \$26.9 million from \$498.1 million to \$525 million. Components of this increase are discussed below. See the Net Assets section for additional information.

Cash and Cash Equivalents

Current and restricted cash balances decreased by \$14.8 million from the 2005 level of \$119.3 million to \$104.5 million at June 30, 2006.

Investments

Contributing to the 2006 total asset increase was a \$9.2 million dollar increase in noncurrent investments, due in part to the DISTINCTION Campaign and Athletic Challenge state matching gifts. Additions to permanent endowments in 2006 totaled \$11.2 million versus \$10.1 million in 2005 and investment income increased from \$10.7 million in 2005 to \$21.2 million in 2006.

Current, or short-term, investments also increased \$7.4 million compared to the June 30, 2005 level to a total of \$79.5 million. Current investments and cash balances fluctuate, as liquidity needs change throughout the business cycle.

Capital Assets

A \$23.5 million net increase in capital assets contributed to the 2006 increase in total assets. Buildings and Construction in Progress (CIP) accounted for \$28.6 million of the 2006 increase, while furniture, fixtures, equipment, library materials, infrastructure, land and land improvements account for \$5.1 million. This total increase of \$33.7 million is reduced by net depreciation (new depreciation less depreciation on retired assets) of \$10.2 million, resulting in the 2006 net increase in capital assets of \$23.5 million. Capital Assets, net of accumulated depreciation, total \$289.8 million at June 30, 2006.

Components of the \$28.6 million Buildings and CIP increase include:

- The Wyoming Technology Business Center project added \$8 million to the increase in capital assets. Total project expenditures at June 30, 2006 were \$8.7 million. The grand opening of WTBC was held in October 2006.

- Renovation of the Classroom Building is nearing completion as \$7 million was expended during the fiscal year, bringing total project expenditures to \$7.7 million.
- Construction of the new Archaeological and Anthropological Research Facility is underway, adding \$3.7 million to the increase in capital assets. Total project expenditures at June 30, 2006 were \$4.5 million.
- Other Building additions and CIP expenditures of \$12.2 million include acquisition of the UniWyo Federal Credit Union building, construction of facilities at the Sustainable Agriculture Research and Extension Center and completion of work on Orr Hall, War Memorial Stadium and the Health Sciences Complex. Retirements and impairments of capital facilities of \$2.3 million bring the total Buildings and CIP increase to \$28.6 million.

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 Assets

The receivable from the State of Wyoming increased \$12.3 million in 2006 - \$12.1 million relates to funding for the new University of Wyoming School of Energy Resources. See the Economic Outlook section for further information about this initiative. Other current and noncurrent assets such as accounts receivable, inventories and prepaid expenses, increased \$2.2 million in 2006 to complete the \$39.8 million increase in total assets.

Total Liabilities

Total liabilities are also categorized as current and noncurrent. Total liabilities increased 1.8% or \$2.3 million during fiscal year 2006 to a total of \$133.5 million. In fiscal year 2005 they increased 19.9% or \$21.8 million to \$131.2 million. University liabilities include payroll and deposit liabilities, accounts payable, deferred revenue, accrued compensated absences (vacation pay), accrued post-employment benefits, deposits held in custody for others, U.S. government loans refundable (which represents amounts provided by the U.S. Department of Education which would be refundable should the University of Wyoming cease to participate in the campus-based revolving loan program), capital lease obligations and revenue bonds payable.

Current Liabilities

Current liabilities (amounts which become due and payable in cash or services within the 12 months following June 30) increased 10% or \$5.4 million in 2006 to \$59.5 million and 15.8% or \$7.4 million in 2005 to \$54.1 million. A major component of the increase is the liability under securities lending of \$6 million. This new liability category is a result of the University of Wyoming's investments held by the State of Wyoming and is offset by the current asset "Investments with Trustee." See Note 2 for additional information about the state's securities lending transactions. Current payroll and related liabilities, accounts payable, deferred revenue, and the current portion of revenue bonds payable and capital lease obligations account for \$3

million of the increase, while deposits held in custody for others (student apartment and residence hall deposits for example), accrued compensated absences and other post-employment benefits decreased by \$3.6 million.

Noncurrent Liabilities

In 2005, noncurrent liabilities increased 23% or \$14.4 million to a total of \$77.1 million, and in 2006 a net decrease of 4% or \$3.1 million resulted in total noncurrent liabilities of \$74 million. The 2006 decrease is mainly attributable to a \$3.2 million reduction in revenue bonds payable as the debt on the University of Wyoming's five bond issues is serviced.

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

In 2005, total assets of the University of Wyoming (\$637.1 million) exceeded total liabilities (\$131.2 million) by \$505.9 million, indicating a strong financial position at June 30, 2005. Fiscal year 2006's total assets of \$676.9 million exceed total liabilities of \$133.5 million by \$543.4 million. The increase in net assets this year of \$37.5 million, together with last year's increase of \$99.4 million, speaks to the existence of strong fundamental financial conditions at the state level, record-setting external funding sources, generous private gifts and donations, and sound financial management practices.

It is important to note that state appropriations restricted for capital purposes are cyclical in nature due to the legislative budgeting process. Capital project appropriations are typically received in the first year of the biennium, resulting in \$83 million versus \$3 million of appropriations restricted for capital purposes in 2005 and 2006, respectively. This disparity helps explain why the increase in net assets in 2006 is less than the increase in 2005.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

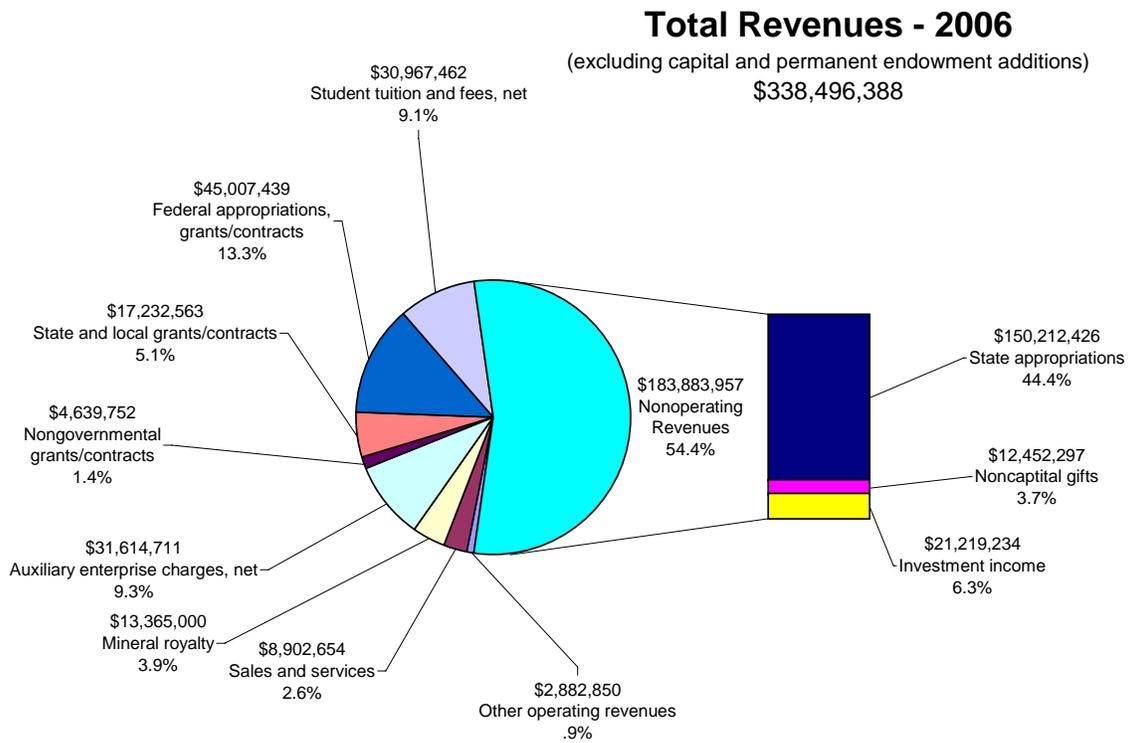
One of the university's greatest strengths is its diverse stream of revenue sources, which supplement its student tuition and fees. State appropriations; voluntary private support from

individuals, foundations and corporations; government and other sponsored programs; sales, services and auxiliary enterprise revenue; mineral royalties; and investment income, all contribute to the university's ability to keep tuition costs low. Nearly 91% of UW's 2006 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)

	<u>2006</u>	<u>2005</u>
Operating revenues	\$154.6	\$154.1
Operating expenses	(312.2)	(305.6)
Operating income (loss)	<u>(157.6)</u>	<u>(151.5)</u>
Net nonoperating revenues (expenses)	180.9	157.8
Gain (loss) before other revenue, expenses, gains and losses	23.3	6.3
Net other revenue, expenses, gains and losses	<u>14.2</u>	<u>93.1</u>
Increase (Decrease) in Net Assets	37.5	99.4
Net assets - beginning of year	<u>505.9</u>	<u>406.5</u>
Net Assets – End of Year	\$ 543.4	\$ 505.9



The chart above reflects operating and nonoperating revenues; it does not include capital appropriations, additions to permanent endowments or nonoperating expenses. The table below incorporates all of these elements to reflect total resources available to the university of \$349.7 million in 2006. Operating expenses in 2006 totaled \$312.2 million, resulting in the increase in net assets of \$37.5 million. In 2005, total resources were \$405 million and operating expenses were \$305.6 million, increasing net assets by \$99.4 million. For the two-year period, net assets increased 33.7% from \$406.5 million at June 30, 2004 to \$543.4 million at June 30, 2006.

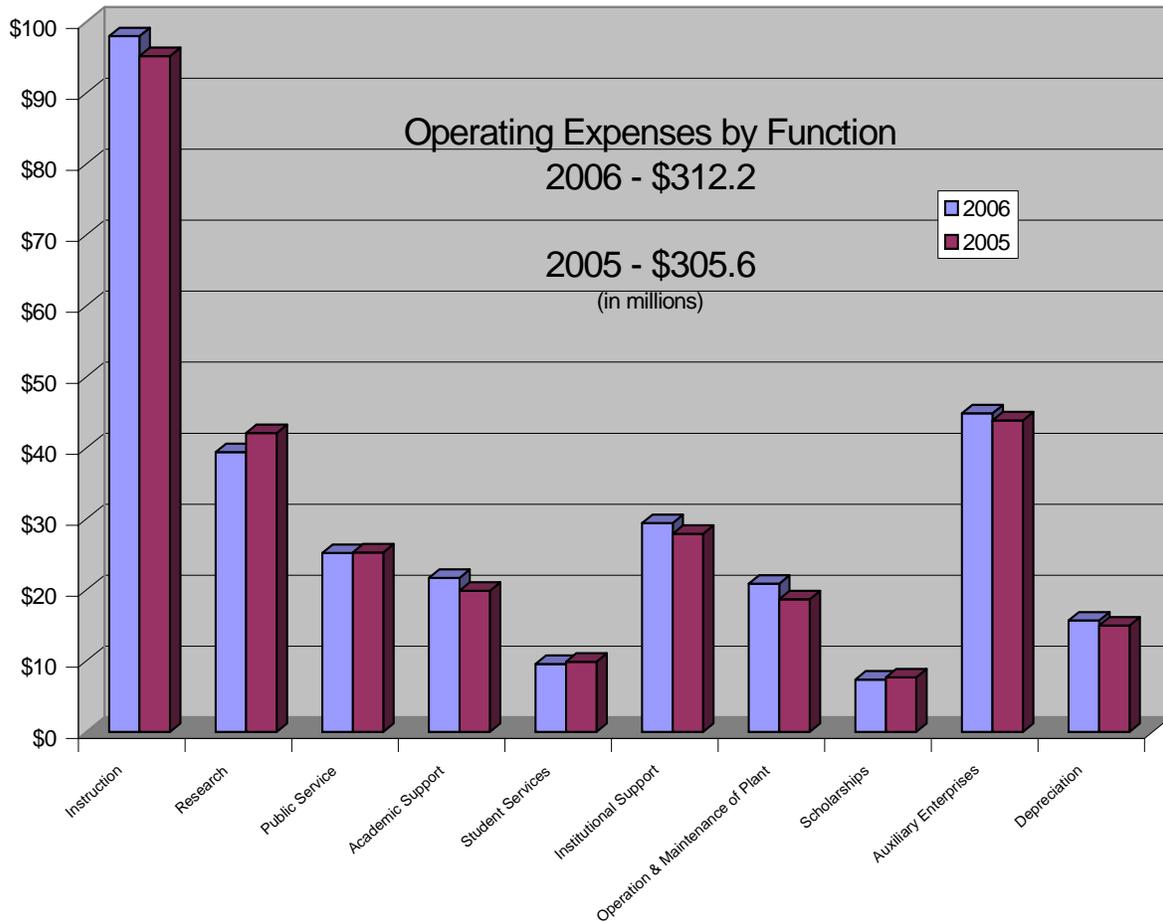
Revenues, Capital Appropriations, and Additions to Permanent Endowments
net of nonoperating expenses
(in millions)

	2006	2005
Operating revenues	\$ 154.6	\$ 154.1
Nonoperating revenues	183.9	160.1
Total revenue	338.5	314.2
(excluding capital and permanent endowment additions)	338.5	314.2
Nonoperating expenses	(3.0)	(2.3)
Additions to permanent endowments	11.2	10.1
State appropriations restricted for capital purposes	3.0	83.0
Total Revenues and Additions to Permanent Endowment (net of nonoperating expenses)	\$ 349.7	\$ 405.0

The table below reflects 2005 and 2006 total operating expenses by their natural (object) classification and the following chart shows 2005 and 2006 expenditures according to their function.

Operating Expenses by Natural Classification
(in millions)

	2006	2005
Compensation and benefits	\$ 205.8	\$ 202.0
Supplies and support services	83.3	80.9
Scholarships	7.4	7.7
Depreciation	15.7	15.0
Total Operating Expenses	\$ 312.2	\$ 305.6



STATEMENT OF CASH FLOWS

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

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

Statement of Cash Flows
(in millions)

	2006	2005
Cash provided by (used in):		
Operating activities	\$ (145.0)	\$ (135.4)
Noncapital financing activities	161.6	159.1
Investing activities	10.7	(17.7)
Capital and related financing activities	(42.1)	69.5
Net increase (decrease) in cash	(14.8)	75.5
Cash, beginning of the year	119.3	43.8
Cash, End of the Year	\$ 104.5	\$ 119.3

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 summary, the cash used in operating activities and capital and related financing activities exceeded the cash provided by noncapital financing activities and investing activities in 2006 by \$14.8 million.

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 during the University of Wyoming's DISTINCTION campaign have provided the opportunity for UW to make great strides toward the fulfillment of its Capital Facilities Plan (CFP).

The university's CFP was developed as the third element of UW's planning process, following the Academic Plan and the Support Services Plan, and preceding the Strategic Plan for Intercollegiate Athletics. 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.

The Wyoming Technology Business Center celebrated its grand opening in October 2006. The mission of the WTBC is to manage a general purpose, not-for-profit incubator providing business development assistance to entrepreneurs in Wyoming. This includes educational

programs, mentoring programs, business services, and appropriate space and infrastructure so that a fertile environment is created that enhances the development of new businesses and furthers the evolution of new ideas into the greater community through the channels of commercial activity. The 30,000 square-foot, two story building houses offices, wet labs and manufacturing space. At June 30, 2006, project expenditures totaled \$8.7 million. The \$10 million funding package included a \$5 million appropriation from the State of Wyoming, with additional funding provided by the Economic Development Administration of the U.S. Department of Commerce, a congressional appropriation through the Department of Housing and Urban Development, and a generous gift from a private benefactor.

The 2005 Legislature provided \$12.9 million for renovation of the Classroom Building, as well as \$4 million to renovate other university classrooms. The Classroom Building renovation began in the summer of 2005 and continued through 2006. Project expenditures at June 30, 2006 totaled \$7.7 million and the project is on schedule for students to enter a new era of technology-assisted education at the beginning of spring semester 2007.

The university received authority from the 2005 Legislature to issue revenue bonds to construct a new \$16 million building to house the Anthropology Department and the archaeological collections it oversees on behalf of the federal and state government. Construction of the Archaeological and Anthropological Research Facility (A²RF) is the university's first academic expansion north of the main campus. Construction is underway and project expenditures at June 30, 2006 totaled \$4.5 million.

Renovations to residence halls in the Washakie Complex continue as the McIntyre Hall project was completed at a total cost of \$5.2 million. Renovation of Orr Hall was also completed this fiscal year, at a total cost of \$2.9 million. Planning processes continue for work on White Hall in 2006-2007 and finally, Downey Hall in 2007-2008.

The 2005 Legislature also appropriated \$45 million for construction of the Information, Library and Learning Center (IL²C). This expansion of the existing Coe Library is scheduled to begin in summer 2007 and will contribute to the beginning of a student services complex that includes the Wyoming Union, Half Acre Gymnasium, and a future Student Services Building.

The University of Wyoming community proudly celebrated the dedication of the Simpson Family Plaza in Prexy's Pasture during September. Located in front of the Wyoming Student Union, the plaza includes an above-ground amphitheater, space for outdoor class meetings, bench seating and Vedauwoo-style landscaping unique to southeast Wyoming. Honoring the many contributions of the Simpson Family over the years, this project was privately financed by the University of Wyoming Foundation and its Board of Directors.

The UW Sustainable Agriculture Research and Extension Center (SAREC) in Goshen County near Lingle, Wyoming was dedicated in September as well. This showcase facility allows UW faculty members to conduct applied and exploratory research examining agricultural systems that promote sustainable land and resource use and disseminate that knowledge to enhance agricultural systems for the future.

Groundbreaking ceremonies took place in August for the Indoor Practice Facility, to be located east of the Rochelle Athletics Center. The Practice Facility is scheduled for completion in the summer of 2007 and will provide its primary users – UW football and soccer teams – with an 87,400 square-foot, \$9.9 million state-of-the-art athletic facility.

Also in August, groundbreaking took place for the University of Wyoming Plaza, a 20,000 square-foot Education and Conference Center, comprising a 125-room Hilton Garden Inn and a 9-acre commercial and retail development. The University of Wyoming Foundation and the Wyoming Business Council join UW in the development of an attractive hotel, conference center and commercial/retail space that will greatly improve the property, provide essential service and generate income for the university and the Laramie community.

The 2006 Wyoming State Legislature approved \$34.9 million for construction of a new Information Technology Building, plus an additional \$3.4 million to raze the Iverson Building – the current location of the Division of Information Technology and the University Police Department – and to provide a new facility for the UW Police.

The Legislature also expanded the capital facilities matching program, providing \$9 million to match private gifts for academic facilities and \$6 million to match gifts for athletic facilities.

The 2005 Legislature approved the university's entire capital construction budget request of \$85 million. In 2006, \$3 million in matching funds was received for construction of athletic facilities. 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.

To summarize, the following changes in capital assets took place during the year ended June 30, 2006:

- \$30.9 million addition to Buildings and Construction-in-Progress (CIP): \$8 million related to the Wyoming Technology Business Center, \$7 million to the Classroom Building, \$3.7 million to the A²RF, and \$2 million to Orr Hall. Work on all other projects (including War Memorial Stadium, the Health Sciences Center, the IL²C, the College of Business and the College of Education Annex) account for the remaining \$10.2 million in buildings and CIP additions. Retirement of the Research and Extension Center in Afton, and recognition of the impairment of the Iverson Building account for the majority of the \$2.3 million reduction in capital assets. The resulting net increase to Buildings and CIP is \$28.6 million. As of June 30, 2006, construction in progress totaled \$26.9 million. The cost of Buildings increased from \$320.3 million to \$350.2 million.
- \$5.1 million net addition to other capital assets including infrastructure; land improvements; furniture, fixtures and equipment; and library materials. Together with the \$28.6 million net increase above, total capital assets (before accumulated depreciation) at June 30, 2006, totaled \$551.3 million: a net increase of \$33.7 million from the June 30, 2005 balance of \$517.6 million.

- In fiscal year 2006, \$15.7 million of depreciation was recorded and \$5.5 million was removed due to asset retirements, for a net change in depreciation of \$10.2 million. Accumulated depreciation increased from \$251.3 million at June 30, 2005 to \$261.5 million at June 30, 2006.

The following table summarizes Capital Asset Activity during fiscal year 2006.

	Capital Assets	
	(in millions)	
	<u>2006</u>	<u>2005</u>
Total cost of capital assets	\$ 551.3	\$ 517.6
Less accumulated depreciation	<u>(261.5)</u>	<u>(251.3)</u>
Capital Assets, net of depreciation	<u>\$ 289.8</u>	<u>\$ 266.3</u>

Debt Activity

In May 2004, Facilities Improvement Revenue Bonds in the amount of \$11.1 million were issued to finance a portion of the construction and renovation of the Health Sciences Complex and for the first phase of renovation of UW residence halls: \$2.5 million of the bond proceeds were used in the former project, \$8.6 million in the latter. Revenue bonds outstanding at June 30, 2006 totaled \$11.1 million.

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

In May 2005, Facilities Improvement Revenue Bonds in the amount of \$16 million were issued to construct the new Archaeological and Anthropological Research Facility. Standard & Poor's Rating Services again assigned its 'AA-' rating to the Series 2005 bonds, and affirmed its 'AA-' underlying rating on the university's outstanding debt. This rating reflects the University of Wyoming's:

- Position as the only four-year public institution in the state, with a wide array of program offerings;
- Continued strong support from the state of Wyoming ('AA/Stable' issuer credit rating), including a fully funded deferred maintenance formula;
- Very low debt burden, with fairly limited additional debt plans;
- Historically strong debt service coverage from pledged revenues;
- Good levels of annual fund raising and successful completion of a \$125 million capital campaign; and
- Balanced financial operations, with a fairly diverse revenue stream.

Revenue bonds outstanding for the Series 2005 issue at June 30, 2006 were \$15.5 million and total Revenue Bonds Payable at June 30, 2006 were \$50.1 million.

ECONOMIC OUTLOOK

It is apparent from the above discussion and analysis that the University of Wyoming continues to enjoy a strong and stable financial position. It is expected that student demand will remain steady, financial operations will be balanced, and additional debt needs will be minimal for the foreseeable future.

The university's revenue stream is fairly diverse, with state appropriations accounting for 44% of total revenues, followed by grants and contracts at 20%, and net tuition and fees contributing 9%. The university received a general fund appropriation of \$332.6 million for the 2007-2008 biennium, reflecting a 21% increase over the \$274.8 million received for the 2005-2006 biennium.

As enacted by the 2006 State of Wyoming Legislature the university's 2007-2008 budget includes a \$26.4 million increase to fund UW salary adjustments of 3.5% for each year of the biennium and sustain the 85% employer contribution for employee health insurance. Building this increase into the base budget allowed UW to receive general fund appropriation for its highest priorities: medical education; sustaining academic quality and capacity, through faculty positions in strategic areas and retention of top-performing senior faculty; enhanced research excellence in wildlife/livestock disease; information technology infrastructure and support; library collections; core operating and critical maintenance needs; capital construction projects; and continuation of the highly successful endowment matching program.

During its 2006 session, the Wyoming State Legislature established a University of Wyoming School of Energy Resources (SER) and appropriated \$12.1 million to fund the first two years of a three-year "ramp up" to full implementation. The plan for the SER focuses on the energy big picture as seen through the lens of UW's land-grant mission of teaching, research, and service. The SER will allow UW to attract faculty members who want an opportunity to work with similarly focused colleagues in an institute structure and build a program from the ground up. A nine-member University of Wyoming Energy Resources Council will help guide the school in all of its mission components.

The University of Wyoming's 2007 Supplemental Budget Request includes additional funding for classified staff salary adjustments, funds for planning an addition to the College of Business and additional funding for construction cost increases related to the IL²C project.

The State of Wyoming's support has been extraordinary and is expected to continue. The state's Consensus Revenue Estimating Group (CREG) revised its forecast for general fund revenue in October 2006 to show substantial increases "for sales and use taxes and investment income, with smaller increases made for mineral severance taxes and other miscellaneous revenues." According to CREG, "General Fund revenue through the remainder of the forecast horizon (2007-2012) calls for modest but steady increases each year. Consumer sentiment remained healthy throughout fiscal year 2006 and estimates reflect increases in sales and use tax revenues

attributed mainly to ongoing and further heightened mineral-related activity. Severance tax revenue receipts were higher than projected due to higher than anticipated prices for both oil and coal, and a higher than expected production of natural gas.” Mineral revenue forecasts anticipate this trend will continue as, “Oil prices remain higher than previously projected, and coal price and production estimates continue to steadily increase. While natural gas prices have decreased from the levels reached last winter, this decrease in price has been offset by increased production.”

Two other legislative initiatives expected to have significant financial impact on the university in the coming years were enacted in 2006. The Hathaway Scholarship Program provides scholarships for Wyoming high school graduates beginning with the fall 2006 semester. An endowment of \$400 million will be created, with transitional funding available until earnings grow to a level sufficient to support the program. The second initiative creates a \$70 million Higher Education Endowment intended to allow the university to undertake creative initiatives that will have a substantial impact on the quality of instruction and research at UW. This endowment will strengthen UW faculty to the benefit of all Wyoming citizens by providing Wyoming’s employers, both public and private, with a means to address workforce needs and economic development and diversification challenges facing the state.

Grant and contract revenues continue to grow, up \$1.1 million in 2006 to a total of \$66.8 million, representing a record amount of external funding for the twentieth consecutive year.

These diverse and robust funding sources allow the University of Wyoming to keep tuition and fee costs low with only modest increases in rates. The rate charged is lower than the rate at most flagship institutions and below the average of the 25 Western Undergraduate Exchange (WUE) comparator institutions. Undergraduate in-state tuition rose by 5.7% for fiscal year 2006, followed by a modest increase of 2.2% for 2007. With the Hathaway Scholarship Program on the horizon, the university is poised to meet its constitutional charge to “make undergraduate postsecondary education in Wyoming as free as possible to Wyoming high school graduates.”

The University of Wyoming Foundation provides exceptional support which has continued to grow as a result of “DISTINCTION: The Campaign for Wyoming’s University.” The five-year campaign, which officially ended June 30, 2005, far exceeded its original goal of \$125 million by raising \$204 million, and will provide the campus community with benefits for many years to come. Private giving to the University of Wyoming during the past fiscal year reached \$24.3 million contributed by a record 26,778 alumni and friends.

President Thomas Buchanan articulated his vision for the University of Wyoming in his 2006 Convocation address: Access, Excellence and Leadership. In closing he summed it up as follows:

“No state enjoys a stronger sense of attachment than Wyoming, and few states look so consistently to their flagship institution for leadership. UW is arguably Wyoming’s most logical anchor for the strategic and civic efforts required to build a magnet environment — what Wallace Stegner referred to as a “society to match the scenery.”

Colleges and universities are among the most important catalysts for cultivating place-based assets, building an educated citizenry, developing research consortia, and offering unique environmental and cultural amenities. Magnet environments tend to be places with strong universities, in which education is highly valued and where arts and creativity flourish, cultural and recreational opportunities are plentiful, and entrepreneurship is respected and nurtured. Our nation's young talent pool converges on regions where "work is smart, the culture is cool, and the environment is clean."

The health of the University of Wyoming is inextricably linked to the health of our state. The key challenge for Wyoming and for its university is to build a workforce and an economy that will sustain thriving, culturally vibrant communities. I want to challenge UW to be the catalyst, to have the vision, and to accept the fundamental leadership responsibility we have for our future.

As we move into our next round of academic and support services planning, we must keep our eyes on these prizes. We must build on the vision and momentum established in our previous plans. We must sharpen our focus, hold fast to our intellectual standards, and be deliberate and decisive. We must remind ourselves and our constituents that we do have the capacity, the good judgment, and the will to make significant decisions about UW's future — and that these decisions are pivotal to the future of the state and the nation. It's not just about us; it's about the society that we serve."

UNIVERSITY OF WYOMING

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS	University of Wyoming	University of Wyoming Foundation	Reclassifications/ Eliminations	Total
Current Assets				
Cash and cash equivalents (Note 2)	\$ 32,060,079	\$ 79,229	\$ (7,078,516)	\$ 25,060,792
Accounts receivable, net (Note 3)	16,998,848	2,415,703	(448,516)	18,966,035
Current portion of pledges receivable (Note 3)	245,296	1,575,535	-	1,820,831
Receivable from the State of Wyoming	12,612,705	-	-	12,612,705
Investments (Note 2)	73,396,153	257,948,677	(102,676,043)	228,668,787
Investments with Trustee (Note 2)	6,063,631	-	-	6,063,631
Interest receivable	311,489	-	-	311,489
Current portion of student loans receivable, net (Note 3)	3,964,222	171,040	(63,857)	4,071,405
Inventories	4,621,926	-	-	4,621,926
Prepaid expenses	1,626,993	-	-	1,626,993
Total current assets	151,901,342	262,190,184	(110,266,932)	303,824,594
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	72,446,395	-	-	72,446,395
Investments (Note 2)	144,274,149	4,618,792	-	148,892,941
Prepaid expenses	730,148	-	-	730,148
Receivable from State of Wyoming	606,636	-	-	606,636
Pledges receivable, net (Note 3)	-	19,821,633	-	19,821,633
Loans to students, net (Note 3)	15,640,924	-	-	15,640,924
Other investments	1,555,311	12,372,300	-	13,927,611
Capital assets, net of accumulated depreciation (Notes 4 and 5)	289,837,066	316,077	-	290,153,143
Total noncurrent assets	525,090,629	37,128,802	-	562,219,431
Total assets	676,991,971	299,318,986	(110,266,932)	866,044,025
LIABILITIES				
Current Liabilities				
Payroll and related liabilities	18,617,503	-	-	18,617,503
Accounts payable and accrued liabilities	9,761,247	808,047	(661,685)	9,907,609
Liability under securities lending (Note 2)	6,063,631	-	-	6,063,631
Deferred revenue	8,396,275	-	-	8,396,275
Deposits held in custody for others (Note 5)	7,375,158	109,754,559	(109,818,416)	7,311,301
Accrued compensated absences (Note 5)	5,121,174	-	-	5,121,174
Other post-employment benefits (Notes 5 and 9)	686,854	-	-	686,854
Current portion of revenue bonds payable (Note 5)	3,222,495	-	-	3,222,495
Current portion of capital lease obligations (Note 5)	277,998	-	-	277,998
Total current liabilities	59,522,335	110,562,606	(110,480,101)	59,604,840
Noncurrent Liabilities (Note 5)				
Deposits held in custody for others	7,045,387	5,404,010	-	12,449,397
Accrued compensated absences	5,121,175	-	-	5,121,175
Other post-employment benefits (Note 9)	6,699,287	-	-	6,699,287
Revenue bonds payable	46,899,517	-	-	46,899,517
Capital lease obligations	1,505,558	-	-	1,505,558
U.S. Government loans refundable	6,741,393	-	-	6,741,393
Total noncurrent liabilities	74,012,317	5,404,010	-	79,416,327
Total liabilities	133,534,652	115,966,616	(110,480,101)	139,021,167
NET ASSETS				
Invested in capital assets, net of related debt	251,234,089	-	-	251,234,089
Restricted for:				
Nonexpendable	120,448,140	144,709,976	-	265,158,116
Expendable:				
Scholarships, research, instruction and other	50,612,780	27,484,780	-	78,097,560
Loans	18,157,339	-	-	18,157,339
Capital projects (Note 8)	78,021,300	-	-	78,021,300
Unrestricted	24,983,671	11,157,614	213,169	36,354,454
Total net assets	\$ 543,457,319	\$ 183,352,370	\$ 213,169	\$ 727,022,858

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2006

	University of Wyoming	University of Wyoming Foundation	Reclassifications/ Eliminations	Total
Operating Revenues (Note 11)				
Tuition and fees (net of scholarship allowances \$13,600,541)	\$ 30,967,462	\$ -	\$ -	\$ 30,967,462
Federal appropriations	3,202,162	-	-	3,202,162
Federal grants and contracts	41,805,277	-	-	41,805,277
State and local grants and contracts	17,232,563	-	-	17,232,563
Nongovernmental grants and contracts	4,639,752	-	-	4,639,752
Mineral royalty	13,365,000	-	-	13,365,000
Sales and services of educational departments	8,902,654	-	-	8,902,654
Auxiliary enterprise charges (net of scholarship allowances \$3,510,743)	31,614,711	-	-	31,614,711
Interest earned on loans to students	177,241	-	-	177,241
Investment income	-	26,940,673	(26,940,673)	-
Contributions	-	10,835,137	-	10,835,137
Other operating revenues	2,705,609	2,595,691	(2,783,627)	2,517,673
Total operating revenues	154,612,431	40,371,501	(29,724,300)	165,259,632
Operating Expenses (Note 10)				
Instruction	98,072,473	2,004,241	(1,104,949)	98,971,765
Research	39,390,313	352,340	(314,189)	39,428,464
Public service	25,216,147	720,993	(719,810)	25,217,330
Academic support	21,685,806	1,907,275	(1,716,347)	21,876,734
Student services	9,619,093	64,964	(64,964)	9,619,093
Institutional support	29,357,715	12,232,839	(11,141,164)	30,449,390
Operation and maintenance of plant	20,945,258	4,130,827	(2,908,815)	22,167,270
Scholarships	7,406,888	2,320,915	(1,671,604)	8,056,199
Auxiliary enterprises	44,856,384	144,483	(144,483)	44,856,384
Depreciation	15,676,035	35,253	-	15,711,288
Total operating expenses	312,226,112	23,914,130	(19,786,325)	316,353,917
Operating income (loss)	(157,613,681)	16,457,371	(9,937,975)	(151,094,285)
Nonoperating Revenues (Expenses)				
State appropriations	150,212,426	-	-	150,212,426
Gifts	12,452,297	-	(8,980,352)	3,471,945
Investment income	21,219,234	-	19,131,496	40,350,730
Interest expense	(2,403,582)	-	-	(2,403,582)
Other nonoperating (expenses)	(550,630)	-	-	(550,630)
Net nonoperating revenues	180,929,745	-	10,151,144	191,080,889
Gain before other revenues, expenses, gains and losses	23,316,064	16,457,371	213,169	39,986,604
State Appropriations Restricted for Capital Purposes	2,943,466	-	-	2,943,466
Additions to Permanent Endowments	11,244,872	5,377,664	-	16,622,536
Net increase in net assets	37,504,402	21,835,035	213,169	59,552,606
Net Assets				
Beginning of year	505,952,917	161,517,335	-	667,470,252
End of year	\$ 543,457,319	\$ 183,352,370	\$ 213,169	\$ 727,022,858

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

Cash Flows from Operating Activities	
Tuition, fees and grants received	\$ 154,286,493
Payments to employees and fringe benefits	(205,499,259)
Payments to vendors and suppliers	(82,548,722)
Payments for scholarships	(7,406,888)
Loans issued to students	(4,011,832)
Collection of loans to students	3,081,425
Other receipts	14,420,542
Other payments	(17,397,153)
Net cash (used in) operating activities	<u>(145,075,394)</u>
Cash Flows from Noncapital Financing Activities	
State appropriations	137,909,275
Grants for other than capital purposes	5,307
Gifts for other than capital purposes	23,704,887
Net cash provided by noncapital financing activities	<u>161,619,469</u>
Cash Flows from Investing Activities	
Purchases of investments	(339,034,186)
Proceeds from sales and maturities of investments	342,348,302
Interest received on investments	7,431,815
Net cash provided by investing activities	<u>10,745,931</u>
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(40,417,653)
Proceeds from sale of capital assets	990,171
Capital appropriations received	2,591,016
Proceeds of capital debt	46,465
Repayments of capital debt and leases	(2,896,944)
Interest paid on capital debt and leases	(2,403,582)
Net cash (used in) capital and related financing activities	<u>(42,090,527)</u>
Net (decrease) in cash and cash equivalents	(14,800,521)
Cash and Cash Equivalents	
Beginning of year	<u>119,306,995</u>
End of year	<u>\$ 104,506,474</u>

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2006

Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
Operating (loss)	<u>\$ (157,613,681)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	15,676,035
Asset impairment	1,361,129
Provision for uncollectable loans and write-offs	512,716
Miscellaneous nonoperating income	(295,629)
Changes in assets and liabilities:	
Receivables, net	(1,268,919)
Inventories	(242,122)
Prepaid expenses	(206,255)
Notes receivable, net	(930,408)
Accounts payable and accrued liabilities	323,100
Deferred revenue	480,319
Deposits held in custody for others	(2,485,849)
U.S. Government loans refundable	(195,130)
Accrued compensated absences	(190,700)
Total adjustments	<u>12,538,287</u>
Net cash (used in) operating activities	<u><u>\$ (145,075,394)</u></u>
Noncash Investing, Capital, and Financing Activities	
Change in fair value of investments	\$ 12,966,086

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

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

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

The Cowboy Joe Club is a component unit of the University because it is organized for the purpose of supporting University athletic programs and is managed by the University Athletic Department. Although it is a legally separate organization, it is reported as a blended component unit of the University.

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

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

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

Investments: The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. All investments with original maturities of 12 months or less are accounted for at amortized cost.

The Foundation accounts for its investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values. Unrealized gains and losses are included in the change in net assets.

Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University and Foundation review and evaluate the values provided by the investment managers and agree with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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 uncollectable 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.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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 affecting capital assets to determine if impairment of a capital asset has occurred. If such events or circumstances occur, the University recognizes an impairment loss related to that asset or group of assets. Impaired capital assets no longer used by the University are reported at the lower of carrying value or fair value. Losses associated with impaired capital assets that will continue to be used by the University are measured using the method that best reflects the diminished service utility of the capital asset. During the current year, the University recognized \$1,361,128 of impairment expense.

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.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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 and investment income.

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

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

Promises to give to the Foundation: Promises to give, less an allowance for uncollectable 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.

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.

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. Additional disclosures describing security-lending transactions are provided in Note 2.

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.

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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 through the use of externally contracted, professional investment managers selected by the Board of Trustees for the Advance Payment of Higher Education Costs (APHEC) program. 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's participation in 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.

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 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, 2006, the carrying amount of the University's demand deposits in financial institutions was \$23,070,737 and the bank balances were \$26,933,193. The demand deposits were fully insured with a combination of FDIC insurance and pledged collateral held in the name of the University. All deposits were held by a qualified depository as outlined in the state statutes.

At June 30, 2006, the University had \$74,357,221 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, 2006, the University had \$7,078,516 on deposit with the Foundation. Detailed information on the Foundation's pooled cash and investments is available from the Foundation.

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Investments:

As of June 30, 2006, the University had investments with weighted average maturities as shown in the following table.

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity in Years
U.S. Government Sponsored			
Enterprise Discount Notes	\$ 74,729,759	\$ 74,355,800	.42
Certificate of Deposit	2,400,000	2,400,000	.24
U.S. Government Sponsored			
Enterprise	7,148,538	7,045,049	.56
Exchange Traded Funds	8,554,668	8,830,448	n/a
	\$ 92,832,965	\$ 92,631,297	

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.

Investment Type	Fair Value	Quality Rating AAA
U.S. Government Sponsored		
Enterprise Discount Notes	\$ 74,355,800	\$ 74,355,800
U.S. Government Sponsored		
Enterprise Notes	7,045,049	7,045,049
	\$ 81,400,849	\$ 81,400,849

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, 2006, the University held securities from the following issuers in excess of 5% of the total portfolio: Federal Home Loan Bank 8.94%, Federal Home Loan Mortgage Corporation 12.62% and Federal National Mortgage Corporation 21.03%.

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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, 2006, the University of Wyoming investments held by the Foundation, primarily in mutual funds, had weighted average maturities, where applicable, as shown in the following table.

Investment Type	Historical Cost	Fair Value	Weighted Average Maturity in Years
Cash funds	\$ 25,060	\$ 25,060	n/a
Real assets	1,430,431	1,729,283	n/a
Private equity	1,516,990	2,496,809	n/a
Absolute return	9,857,966	15,589,208	n/a
High yield	2,654,068	4,098,736	3.48
Fixed income	12,955,926	15,299,590	2.50
Hedged equity	7,962,203	12,584,912	n/a
International equity	11,065,617	18,095,354	n/a
Small cap	4,644,752	10,135,213	n/a
Large cap	16,133,611	22,621,878	n/a
	<u>\$ 68,246,624</u>	<u>\$ 102,676,043</u>	

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);

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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, 2006, 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, 2006 are as follows:

	Carrying Value	Market Value
Money market funds	\$ 4,674,794	\$ 4,674,794
Corporate stocks	163,370,854	205,709,754
Corporate bonds and notes	48,458,828	46,439,311
Real estate	12,273,498	12,372,300
Government obligations	1,124,818	1,124,818
Cash value of life insurance policies	263,341	263,341
Other investments	4,354,600	4,355,451
	<u>\$ 234,520,733</u>	<u>\$ 274,939,769</u>

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, 2006, the alternative investments held by the Foundation were \$69,935,705.

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."

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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 summarized University investments held by the State Treasurer's Office is:

Investment Type	Historical Cost	Fair Value	Percentage
Fixed income:			
U.S. Treasury securities	\$ 576,398	\$ 675,928	2.21%
U.S. Government agencies	14,891,842	16,416,259	53.60%
Government bond sovereign debt	132,708	155,624	0.51%
Mortgage backed securities	960,999	1,126,940	3.68%
Asset based securities	187,314	219,658	0.72%
Corporate bonds	977,591	1,146,397	3.74%
Commercial paper	1,199,449	1,406,565	4.59%
CMO/REMIC	250,151	293,345	0.96%
Commercial mortgage backed securities	24,549	28,788	0.09%
International authority	1,847	2,166	0.01%
Guaranteed investment contracts	31,216	36,606	0.12%
Repurchase agreement pools	403,826	473,557	1.55%
Legislatively designated investments	331,627	388,891	1.27%
Total fixed income investments	19,969,517	22,370,724	73.05%
Equities:			
Domestic equities	2,822,137	3,309,452	10.81%
Foreign equities	1,170,881	1,373,064	4.48%
U.S. dollar denominated foreign equities	42,113	49,384	0.16%
Total equity investments	4,035,131	4,731,900	15.45%
Alternative investments, private equity	239,775	239,775	0.78%
Cash and temporary investments	3,064,014	3,064,014	10.00%
Other Legislatively authorized investments	186,336	218,512	0.72%
Total investments	\$ 27,494,773	\$ 30,624,925	100.00%

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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.

Investment Type	Carrying Amount	Market Value	Credit Rating
U.S. Government sponsored enterprise:			
FFCB	\$ 642,375	\$ 607,044	AAA
FHLB	2,316,443	2,295,684	AAA
FHLMC	963,563	943,639	AAA
FNMA	2,141,250	2,097,558	AAA
	<u>\$ 6,063,631</u>	<u>\$ 5,943,925</u>	

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

At June 30, 2006, the University had investments held by the State with weighted average maturities as shown in the following table:

Investment Type	Carrying Amount	Market Value	Weighted Average Maturity in Years
U.S. Government sponsored enterprise:			
FFCB	\$ 642,375	\$ 607,044	8.00
FHLB	2,316,443	2,295,684	.79
FHLMC	963,563	943,639	2.50
FNMA	2,141,250	2,097,558	1.75
	<u>\$ 6,063,631</u>	<u>\$ 5,943,925</u>	

Administratively, the State manages interest rate risk of decreasing market value on its fixed investment portfolio arising from increasing interest rates by managing the average life of the fixed income portfolio. These securities have a concentration of US Government agency securities holding AAA ratings.

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Securities lending transactions: State statutes permit the State Treasurer to lend its securities, through the use of agents, to broker-dealers and other entities with simultaneous agreement to return the collateral for the same securities in the future. The State's agents lend securities, of the type on loan at year-end, for collateral in the form of cash or other securities at 100% of value for U.S. Treasury Strips and U.S. Treasury Bills, and 102% to 105% of value for other securities. The State, through its agents, measures the fair value of the securities loaned against the fair value of the collateral on a daily basis. Additional collateral is obtained as necessary to ensure such transactions are adequately collateralized. Securities lent for securities collateral are classified according to the category of the collateral. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The contract with the State's agent requires it to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State of income distributions by the securities' issuers while the securities are on loan.

The following represents the University's balances relating to the securities lending transactions at the financial statement date:

	Fair Value Underlying Securities	Loan Value Collateral Received
Lent for securities (bulk) collateral:		
U.S. Government sponsored agency	\$ 5,709,612	\$ 5,864,586
U.S. Government agencies	234,313	240,982
	<u>\$ 5,943,925</u>	<u>\$ 6,105,568</u>

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB 40 requires disclosure by issuer and amount investments in any one issuer that represents 5% or more of total investments for the State. The State's securities lending program does not have any concentration of credit risk exposure.

Interest rate risk: Interest rate risk is that associated with changes in interest rates demanded by the market will adversely affect the fair value of an investment. The State has chosen the segmented time distribution method for its Interest Rate Disclosure. This method most closely matches how the State manages interest rate risk. There is minimal interest rate risk due to the average life of the security lending portfolio.

Note 3. Loans, Accounts Receivable and Pledges Receivable

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

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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.

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 of original principal balance plus accrued interest per year for each year of practicing full-time medicine in the State of Wyoming.

Contracts for the 2004-2005 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 principal balance of loans made under medical school contracts is canceled upon practicing full-time medicine in the State of Wyoming. The balance is canceled at a rate of one-third of original principal balance plus accrued interest per year for each year of practicing full-time medicine in the State of Wyoming. Three years of residency in the State of Wyoming will count as one year of practice.

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

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

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

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

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Accounts receivable and pledges receivable: The University accounts receivable and pledges receivable are shown net of allowances for doubtful accounts in the accompanying statement of net assets at June 30, 2006 as follows:

	Accounts Receivable	Pledges Receivable
Accounts receivable	\$ 17,523,867	\$ 308,537
Less allowance for doubtful accounts	(525,019)	(63,241)
Accounts receivable, net	<u>\$ 16,998,848</u>	<u>\$ 245,296</u>

Included in the amounts above is \$7,661,918, which is due from the U.S. Government at June 30, 2006.

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, 2006:

Due within 1 year	\$ 1,575,535
Due 1 to 5 years	19,229,124
Due 5 years and later	4,518,743
	<u>25,323,402</u>
Less allowance for uncollectable pledges	1,275,300
Less discount to present value	2,650,934
Total pledges receivable	<u><u>\$ 21,397,168</u></u>

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Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated:					
Land	\$ 5,629,460	\$ 195,000	\$ -	\$ (3,950)	\$ 5,820,510
Land improvements	2,308,759	167,764	-	(1,084)	2,475,439
Construction in progress	28,189,903	29,963,628	(31,208,125)	(12,200)	26,933,206
Total capital assets not being depreciated	\$ 36,128,122	\$30,326,392	\$(31,208,125)	\$ (17,234)	\$ 35,229,155
Other capital assets:					
Infrastructure	\$ 12,130,438	\$ 248,637	\$ -	\$ (225)	\$ 12,378,850
Land improvements	6,331,745	533,110	2,068,387	(11,030)	8,922,212
Buildings	320,289,338	3,327,978	28,898,845	(2,280,103)	350,236,058
Furniture, fixtures and equipment	80,064,034	5,632,417	240,893	(5,564,884)	80,372,460
Library materials	62,706,673	1,551,655	-	-	64,258,328
Total other capital assets	481,522,228	11,293,797	31,208,125	(7,856,242)	516,167,908
Less accumulated depreciation for:					
Infrastructure	(9,694,061)	(193,656)	-	225	(9,887,492)
Land improvements	(2,774,382)	(405,412)	-	11,030	(3,168,764)
Buildings	(127,683,638)	(6,804,974)	-	281,610	(134,207,002)
Furniture, fixtures and equipment	(60,044,445)	(5,826,081)	-	5,173,044	(60,697,482)
Library materials	(51,153,345)	(2,445,912)	-	-	(53,599,257)
Total accumulated depreciation	(251,349,871)	(15,676,035)	-	5,465,909	(261,559,997)
Other capital assets, net	\$ 230,172,357	\$(4,382,238)	\$ 31,208,125	\$ (2,390,333)	\$254,607,911
Capital asset summary:					
Capital assets not being depreciated	\$ 36,128,122	\$30,326,392	\$(31,208,125)	\$ (17,234)	\$ 35,229,155
Other capital assets, at cost	481,522,228	11,293,797	31,208,125	(7,856,242)	516,167,908
Total cost of capital assets	517,650,350	41,620,189	-	(7,873,476)	551,397,063
Less accumulated depreciation	(251,349,871)	(15,676,035)	-	5,465,909	(261,559,997)
Capital assets, net	\$ 266,300,479	\$25,944,154	\$ -	\$ (2,407,567)	\$289,837,066

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

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds payable	\$ 52,754,672	\$ 1,225	\$ 2,633,885	\$ 50,122,012	\$ 3,222,495
Capital lease obligations	2,001,375	45,240	263,059	1,783,556	277,998
Total bonds and capital leases	54,756,047	46,465	2,896,944	51,905,568	3,500,493
Other liabilities:					
Accrued compensated absences	10,433,049	6,284,954	6,475,654	10,242,349	5,121,174
Deposits held in custody for others	16,906,394	-	2,485,849	14,420,545	7,375,158
Other post-employment benefits	7,774,748	321,621	710,228	7,386,141	686,854
U.S. Government loans refundable	6,936,523	-	195,130	6,741,393	-
Total other liabilities	42,050,714	6,606,575	9,866,861	38,790,428	13,183,186
Total long-term liabilities	\$ 96,806,761	\$ 6,653,040	\$ 12,763,805	\$ 90,695,996	\$ 16,683,679

Revenue bonds payable represent the remaining principal payments on bonds used for construction of facilities. Revenue from the operations of residence halls, apartments, cafeterias, dining halls, other food service facilities, bookstore and telecommunications; income from other sales and services; income from the University Permanent Land Fund and mineral royalties from the University Government Royalty Fund are pledged for the retirement of the Facilities Improvement and Refunding Revenue Bonds Series 1999, the Facilities Improvement Revenue Bonds Series 2001, the Facilities Refunding Revenue Bonds Series 2003, the Facilities Improvement Revenue Bond Series 2004, and the Facilities Improvement Revenue Bond Series 2005.

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Revenue bonds payable consist of the following at June 30, 2006:

	Authorized and Issued	Interest Rates	Bonds Outstanding at June 30, 2006
Facilities Improvement and Refunding Revenue Bonds: Series 1999	18,760,000	4.85-5.5%	10,750,000
Facilities Improvement Revenue Bonds: Series 2001	9,120,000	4.0-5.5%	7,670,000
Facilities Refunding Revenue Bonds: Series 2003	4,340,000	2.1-3.5%	4,155,000
Facilities Improvement Revenue Bonds: Series 2004	11,100,000	3.25-5.0%	11,100,000
Facilities Improvement Revenue Bonds: Series 2005	16,000,000	3.5-5.0%	15,520,000
	<u>59,320,000</u>		<u>49,195,000</u>
Original issue discount/premium			<u>927,012</u>
			<u>50,122,012</u>

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

	Principal	Interest
2007	\$ 3,155,000	\$ 2,301,809
2008	3,315,000	2,168,626
2009	3,430,000	2,048,544
2010	3,545,000	1,914,774
2011	2,245,000	1,773,311
2012-2016	12,850,000	7,172,756
2017-2021	13,660,000	3,650,400
2022-2025	6,995,000	828,750
	<u>\$ 49,195,000</u>	<u>\$ 21,858,970</u>

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 leasing scoreboards for the football and basketball venues. The assets and related liabilities were recorded at the present value of the future payments due under the lease as determined using a 5.75% 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 10.8% interest rate.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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, 2006:

	Airplane	Scoreboards	Other Equipment	Total
2007	\$ 135,907	\$ 215,247	\$ 11,832	\$ 362,986
2008	135,907	215,247	11,832	362,986
2009	135,907	215,247	11,832	362,986
2010	135,907	161,224	11,832	308,963
2011	135,907	-	2,958	138,865
2012-2015	566,296	-	-	566,296
Total minimum lease payments	1,245,831	806,965	50,286	2,103,082
Less amount representing interest	(226,538)	(82,605)	(10,383)	(319,526)
Net present value of minimum lease payments	\$ 1,019,293	\$ 724,360	\$ 39,903	\$ 1,783,556

The cost of assets acquired under capital lease is \$3,172,348. Accumulated amortization as of June 30, 2006 is \$2,616,926. Amortization of leased assets is included in depreciation expense.

During the year ended June 30, 2006, the University entered into a lease agreement with the University of Wyoming Foundation for a building to be constructed by the Foundation. The lease agreement is for 25 years from the date of completion of the building and ownership will transfer to the University at the end of the lease term. The lease will be accounted for as a capital lease once construction is complete and the lease commences. Total costs of the building construction are expected to be \$8,460,000. The University will be required to fund any construction costs in excess of this amount. The project is expected to be partially funded by contributions to be received by the Foundation in the amount of \$4,500,000. Annual lease payments are expected to be \$280,000.

As part of the overall development, the University intends to lease land associated with the project to outside organizations.

Note 6. Risk Management

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

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Following is a reconciliation of the unpaid claims liability for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$ 325,000	\$ 325,000
Claims incurred	1,227,449	348,178
Claims paid	(802,449)	(348,178)
Unpaid claims liability, end of fiscal year	<u>\$ 750,000</u>	<u>\$ 325,000</u>

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 \$407 per month for a single participant, \$802 for a participant plus his/her spouse or children, \$916 per participating family or \$458 for married couples both of which are employed by the University 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 \$0.32 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 by the University to the State for workers' compensation during fiscal year 2006 were \$1,829,452.

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 2006 and 2005 are as follows for the University's participation in the Unemployment Compensation Act program:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Claims incurred	106,188	120,744
Claims paid	(106,188)	(120,744)
Unpaid claims liability, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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 \$180,757,000. As of June 30, 2006, the remaining commitment to complete these projects totaled approximately \$123,777,000. These completion costs will be financed by a combination of State appropriations, bond proceeds, Federal grants, and private gifts and grants.

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

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

Note 9. Retirement and Pension Plans

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

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Statutes require that 11.25% of the covered employee's salary be contributed to the plan, one-half by the employee and the other half by the employer. The University contributes both the employee and employer portions funded primarily through appropriations from the State Legislature. For the years ended June 30, 2004, 2005 and 2006, the University's contributions to the WRS were \$5,265,857, \$5,390,233 and \$5,404,660, respectively, which equals the required contribution for the years then ended.

As previously noted, some employees opt to participate in TIAA-CREF, which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. TIAA-CREF also requires contributions of 11.25% of participating employees' salaries. Like WRS, statutes require that contributions be funded by both the employer and employee, and the University has elected to fund both portions. Contributions are funded as accrued and are immediately vested. The contributions for the years ended June 30, 2004, 2005 and 2006 were \$8,600,589, \$9,458,500 and \$9,793,324, respectively.

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

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

Board retiree status allows an individual with unused sick leave at the time of retirement to convert up to 120 days of unused accrued sick leave to be applied toward the State contribution for group health insurance if elected. The conversion is at a rate of 1.5 months of coverage for each five days of sick leave (a maximum of 36 months of premiums). The maximum per month premium currently is \$372 a month for individuals and \$828 a month for family participants in the plan. The premium is paid by the University as it is incurred on a monthly basis. The health care trend rate is based on a 20% increase per year. The total amount charged to expense for the 79 employees that have elected board retirement and were participants in the plan during the year ended June 30, 2006 was (\$311,308). The total accrued liability at June 30, 2006 is \$6,546,374.

Board retiree status also allows an individual who has been enrolled in the State life insurance plan to have the University pay one-half the premium for the remainder of the time the individual holds the policy. The share of the premium is paid by the University as it is incurred on a monthly basis. The total amount charged to expense for the 479 employees that have elected board retirement and were participants in the plan during the year ended June 30, 2006 was (\$42,120). The total accrued liability at June 30, 2006 is \$839,767.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 10. Natural Classifications with Functional Classifications

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

Functional Classification	Natural Classification				
	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
Instruction	\$ 87,448,658	\$10,623,815	\$ -	\$ -	\$ 98,072,473
Research	27,031,547	12,358,766	-	-	39,390,313
Public service	18,704,472	6,511,675	-	-	25,216,147
Academic support	15,013,762	6,672,044	-	-	21,685,806
Student services	6,798,777	2,820,316	-	-	9,619,093
Institutional support	20,885,658	8,472,057	-	-	29,357,715
Operation of plant	9,551,283	11,393,975	-	-	20,945,258
Scholarships	-	-	-	7,406,888	7,406,888
Auxiliary enterprises	20,429,876	24,426,508	-	-	44,856,384
Depreciation	-	-	15,676,035	-	15,676,035
Total expenses	\$ 205,864,033	\$83,279,156	\$ 15,676,035	\$ 7,406,888	\$312,226,112

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 11. Segment Information

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

Condensed Statement of Net Assets

Assets:

Current assets	\$ 39,495,137
Noncurrent assets	1,837,349
Total assets	\$ 41,332,486

Liabilities:

Current liabilities	\$ 15,812,361
Noncurrent liabilities	461,818
Total liabilities	\$ 16,274,179

Net assets:

Invested in equipment	\$ 1,043,042
Restricted for maintenance required by bond resolution	500,000
Restricted for capital projects	2,128,783
Unrestricted	21,386,482
Total net assets	\$ 25,058,307

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues:	
Sales	\$ 16,165,508
Rents and fees	15,109,976
Nonenterprise revenue	14,265,000
Miscellaneous	112,280
Total operating revenues	<u>45,652,764</u>
Operating expenses:	
Operating expenses	26,322,613
Depreciation	428,428
Total operating expenses	<u>26,751,041</u>
Operating income	<u>18,901,723</u>
Nonoperating revenues, investment income	<u>4,868,181</u>
Nonoperating expenses and other items:	
Interest on indebtedness	2,495,675
Retirement of indebtedness	2,565,000
Expanded for plant facilities	7,763,462
Mandatory transfers	92,452
Nonmandatory transfers	11,753,191
Total nonoperating expenses and other items	<u>24,669,780</u>
(Decrease) in net assets	(899,876)
Net assets, beginning of year	<u>25,958,183</u>
Net assets, end of year	<u>\$ 25,058,307</u>
Condensed Statement of Cash Flows	
Net cash provided by operating activities	\$ 19,351,754
Net cash (used in) capital financing activities	(20,682,163)
Net cash (used in) noncapital financing activities	(11,845,643)
Net cash provided by investing activities	15,804,212
Net increase in cash	<u>2,628,160</u>
Cash and cash equivalents, beginning of year	<u>24,410,594</u>
Cash and cash equivalents, end of year	<u>\$ 27,038,754</u>

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULE OF NET ASSETS - UNIVERSITY OF WYOMING

June 30, 2006 and 2005

ASSETS	2006	2005
Current Assets		
Cash and cash equivalents	\$ 32,060,079	\$ 40,363,881
Accounts receivable, net	16,998,848	15,956,073
Current portion of pledges receivable, net	245,296	234,206
Receivable from the State of Wyoming	12,612,705	309,553
Investments	73,396,153	72,100,373
Investments with Trustee	6,063,631	-
Interest receivable	311,489	279,334
Current portion of student loans receivable, net	3,964,222	4,001,386
Inventories	4,621,926	4,379,804
Prepaid expenses	1,626,993	1,361,888
Total current assets	151,901,342	138,986,498
Noncurrent Assets		
Restricted cash and cash equivalents	72,446,395	78,943,114
Investments	144,274,149	135,108,658
Prepaid expenses	730,148	788,998
Receivable from State of Wyoming	606,636	254,186
Loans to students, net	15,640,924	15,186,068
Other investments	1,555,311	1,566,832
Capital assets, net of accumulated depreciation	289,837,066	266,300,479
Total noncurrent assets	525,090,629	498,148,335
Total assets	676,991,971	637,134,833
LIABILITIES		
Current Liabilities		
Payroll and related liabilities	18,617,503	17,677,924
Accounts payable and accrued liabilities	9,761,247	8,786,583
Liability under securities lending	6,063,631	-
Deferred revenue	8,396,275	7,910,648
Deposits held in custody for others	7,375,158	10,879,106
Accrued compensated absences	5,121,174	5,216,524
Other post-employment benefits	686,854	752,174
Current portion of revenue bonds payable	3,222,495	2,632,660
Current portion of capital lease obligations	277,998	256,600
Total current liabilities	59,522,335	54,112,219
Noncurrent Liabilities		
Deposits held in custody for others	7,045,387	6,027,288
Accrued compensated absences	5,121,175	5,216,525
Other post-employment benefits	6,699,287	7,022,574
Revenue bonds payable	46,899,517	50,122,012
Capital lease obligations	1,505,558	1,744,775
U.S. Government loans refundable	6,741,393	6,936,523
Total noncurrent liabilities	74,012,317	77,069,697
Total liabilities	133,534,652	131,181,916
NET ASSETS		
Invested in capital assets, net of related debt	251,234,089	232,132,132
Restricted for:		
Nonexpendable	120,448,140	98,008,674
Expendable:		
Scholarships, research, instruction and other	50,612,780	39,492,807
Loans	18,157,339	17,292,325
Capital projects	78,021,300	99,259,558
Unrestricted	24,983,671	19,767,421
Total net assets	\$ 543,457,319	\$ 505,952,917

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
UNIVERSITY OF WYOMING
Years Ended June 30, 2006 and 2005

	2006	2005
Operating Revenues		
Tuition and fees (net of scholarship allowances 2006 \$13,600,541; 2005 \$12,873,439)	\$ 30,967,462	\$ 30,693,579
Federal appropriations	3,202,162	3,592,295
Federal grants and contracts	41,805,277	41,824,101
State and local grants and contracts	17,232,563	16,245,742
Nongovernmental grants and contracts	4,639,752	4,042,292
Mineral royalty	13,365,000	13,365,000
Sales and services of educational departments	8,902,654	9,679,193
Auxiliary enterprise charges (net of scholarship allowances 2006 \$3,510,743; 2005 \$3,427,093)	31,614,711	30,546,616
Interest earned on loans to students	177,241	149,822
Other operating revenues	2,705,609	3,979,693
Total operating revenues	154,612,431	154,118,333
Operating Expenses		
Instruction	98,072,473	95,189,297
Research	39,390,313	42,144,553
Public service	25,216,147	25,285,185
Academic support	21,685,806	19,910,903
Student services	9,619,093	9,889,220
Institutional support	29,357,715	27,868,234
Operation and maintenance of plant	20,945,258	18,690,753
Scholarships	7,406,888	7,765,006
Auxiliary enterprises	44,856,384	43,922,060
Depreciation	15,676,035	14,958,331
Total operating expenses	312,226,112	305,623,542
Operating (loss)	(157,613,681)	(151,505,209)
Nonoperating Revenues (Expenses)		
State appropriations	150,212,426	139,588,347
Gifts	12,452,297	9,808,336
Investment income	21,219,234	10,728,661
Interest expense	(2,403,582)	(1,856,899)
Other nonoperating revenues (expenses)	(550,630)	(431,000)
Net nonoperating revenues	180,929,745	157,837,445
Gain before other revenues, expenses, gains and losses	23,316,064	6,332,236
State Appropriations Restricted for Capital Purposes	2,943,466	82,946,161
Additions to Permanent Endowments	11,244,872	10,096,977
Net increase in net assets	37,504,402	99,375,374
Net Assets		
Beginning of year	505,952,917	406,577,543
End of year	\$ 543,457,319	\$ 505,952,917

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF CASH FLOWS - UNIVERSITY OF WYOMING
Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Tuition, fees and grants received	\$ 154,286,493	\$ 153,120,912
Payments to employees and fringe benefits	(205,499,259)	(198,073,630)
Payments to vendors and suppliers	(82,548,722)	(80,543,057)
Payments for scholarships	(7,406,888)	(7,765,006)
Loans issued to students	(4,011,832)	(3,786,087)
Collection of loans to students	3,081,425	2,924,891
Other receipts	14,420,542	16,906,394
Other payments	(17,397,153)	(18,186,063)
Net cash (used in) operating activities	(145,075,394)	(135,401,646)
Cash Flows from Noncapital Financing Activities		
State appropriations	137,909,275	139,278,794
Grants for other than capital purposes	5,307	3,839
Gifts for other than capital purposes	23,704,887	19,768,497
Net cash provided by noncapital financing activities	161,619,469	159,051,130
Cash Flows from Investing Activities		
Purchases of investments	(339,034,186)	(385,414,702)
Proceeds from sales and maturities of investments	342,348,302	365,714,195
Interest received on investments	7,431,815	2,020,056
Net cash provided by (used in) investing activities	10,745,931	(17,680,451)
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(40,417,653)	(28,621,986)
Proceeds from sale of capital assets	990,171	2,030,135
Capital appropriations received	2,591,016	83,451,975
Proceeds of capital debt	46,465	16,769,678
Repayments of capital debt and leases	(2,896,944)	(2,221,766)
Interest paid on capital debt and leases	(2,403,582)	(1,856,899)
Net cash provided by (used in) capital and related financing activities	(42,090,527)	69,551,137
Net increase (decrease) in cash and cash equivalents	(14,800,521)	75,520,170
Cash and Cash Equivalents		
Beginning of year	119,306,995	43,786,824
End of year	\$ 104,506,474	\$ 119,306,994

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF CASH FLOWS - UNIVERSITY OF WYOMING

(Continued)

Years Ended June 30, 2006 and 2005

	2006	2005
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	<u>\$ (157,613,681)</u>	<u>\$ (151,505,209)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	15,676,035	14,958,331
Asset impairment	1,361,129	-
Provision for uncollectable loans and write-offs	512,716	794,679
Miscellaneous nonoperating income	(295,629)	(2,167,800)
Changes in assets and liabilities:		
Receivables, net	(1,268,919)	(2,801,233)
Inventories	(242,122)	(567,965)
Prepaid expenses	(206,255)	(213,442)
Notes receivable, net	(930,408)	(861,196)
Accounts payable and accrued liabilities	323,100	3,893,531
Deferred revenue	480,319	1,123,962
Deposits held in custody for others	(2,485,849)	889,641
U.S. Government loans refundable	(195,130)	(1,509)
Accrued compensated absences	(190,700)	1,056,564
Total adjustments	<u>12,538,287</u>	<u>16,103,563</u>
Net cash (used in) operating activities	<u><u>\$ (145,075,394)</u></u>	<u><u>\$ (135,401,646)</u></u>
Noncash Investing, Capital, and Financing Activities		
Change in fair value of investments	\$ 12,966,086	\$ 10,984,559