

**UNIVERSITY OF WYOMING**

**FINANCIAL REPORT**

**JUNE 30, 2007**

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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, 2007, 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. The financial statements of the University of Wyoming Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2007, 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 \$106,290,917 (15.37% 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 November 5, 2007 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 16, 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.

*McGee, Hearne & Paiz, LLP*

Cheyenne, Wyoming  
November 5, 2007

**UNIVERSITY OF WYOMING**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2007

***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, 2007, with selected comparative information for the year ended June 30, 2006. 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, 2007, by \$691.4 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 \$691.4 million in total net assets, 40% or \$276.4 million (net of related debt) is invested in capital assets, 50% or \$348.8 million is restricted as to use (\$139.8 million is nonexpendable – endowments required to be retained in perpetuity – and \$209 million is expendable for scholarships, research, instruction, loans or capital projects), while 10% or \$66.2 million is unrestricted and may be used to meet ongoing obligations.
- The university's net assets increased by \$148 million this fiscal year: a 27.2% 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 32% or \$47.8 million of the increase and additions to permanent endowments contribute 6% or \$8.2 million. State appropriations restricted for capital purposes account for 62% or \$92 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 2006 and 2007. The accompanying financial statements however, contain fiscal year 2007 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 2007, revenues categorized as nonoperating (\$220.1 million) funded 66% of the university's regular operating expenses (\$332.5 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, 2007, operating revenues totaled \$162.5 million, operating expenses were \$332.5 million, resulting in a loss from operations of \$170 million. Nonoperating revenues totaled \$220.1 million, while nonoperating expenses, consisting primarily of interest expense, totaled \$2.3 million. As a result, income before other revenues (state appropriations restricted for capital purposes and additions to permanent endowments) is \$47.8 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, 2007, scholarships and fellowships totaled \$27.5 million, of which \$17.9 million represents amounts applied to student accounts, while \$9.6 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, 2007, capital assets (net of depreciation) increased by 10.3% or \$29.9 million to a total of \$319.7 million. Depreciation expense totaled \$16.8 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, 2007, was \$9.5 million, an increase of 13.3% or \$1.1 million from the 2006 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.

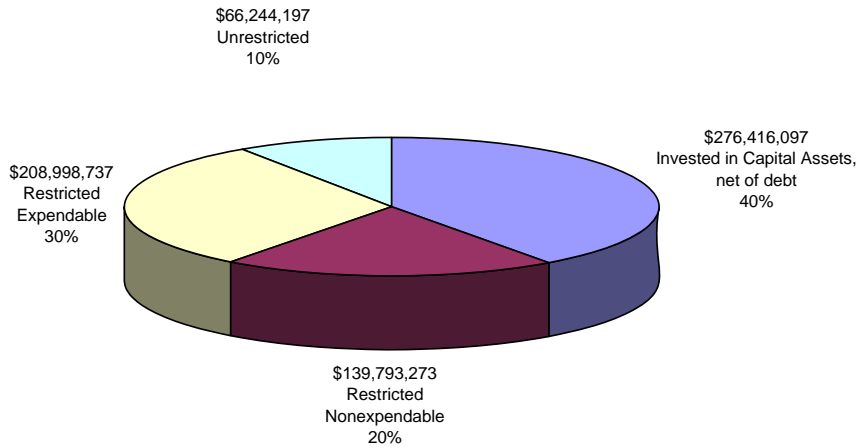
The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received 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, 2006 and 2007, as well as a graphic display of the net asset categories as of June 30, 2007, is presented below.

**Statement of Net Assets**  
(in millions)

	<b>2007</b>	<b>2006</b>
Current assets	\$ 207.4	\$ 151.9
Noncurrent assets:		
Investments	174.6	144.3
Capital assets, net of accumulated depreciation	319.7	289.8
Other assets	126.1	90.9
<b>Total Assets</b>	<b>827.8</b>	<b>676.9</b>
Current liabilities	65.4	59.5
Noncurrent liabilities	71.0	74.0
<b>Total Liabilities</b>	<b>136.4</b>	<b>133.5</b>
Net Assets:		
Invested in capital assets, net of related debt	276.4	251.2
Restricted:		
Nonexpendable	139.8	120.4
Expendable	209.0	146.8
Unrestricted	66.2	25.0
<b>Total Net Assets</b>	<b>\$ 691.4</b>	<b>\$ 543.4</b>

**Net Assets - June 30, 2007**  
\$691,452,304





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 22.3% or \$150.8 million during fiscal year 2007 to a total of \$827.8 million. In fiscal year 2006, they increased 6.3% or \$39.8 million to \$677 million. Total assets include both current assets (generally considered to be convertible to cash within one year) and noncurrent assets. Current assets increased 36.5%, or \$55.5 million between 2006 (\$151.9 million) and 2007 (\$207.4 million), while noncurrent assets increased 18.1% or \$95.3 million from \$525.1 million to \$620.4 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 increased by \$63.1 million from the 2006 level of \$104.5 million to \$167.6 million at June 30, 2007.

### **Investments**

Contributing to the 2007 total asset increase was a \$30.3 million dollar increase in noncurrent investments, due in part to the ongoing commitment of the state of Wyoming to match private donations and gifts as well as a favorable investment market. Investment income increased from \$21.2 million in 2006 to \$24.4 million in 2007. Additions to permanent endowments in 2007 totaled \$8.2 million versus \$11.2 million in 2006; however, as noted in Footnote 12, the University of Wyoming returned \$4.2 million of Excellence in Higher Education Endowment funds to the state of Wyoming in 2007, which were received in fiscal year 2006, in accordance with constitutional legislation. Adjusted for this transaction, additions to permanent endowments would have been \$7 million in 2006 and \$12.4 million in 2007, an increase of \$5.4 million. A substantial increase in the market value of permanent endowments accounts for the remainder of the \$30.3 million total increase.

Current, or short-term, investments also increased \$35.6 million compared to the June 30, 2006 level to a total of \$115.1 million. Current investments and cash balances fluctuate, as liquidity needs change throughout the business cycle.

### **Capital Assets**

A \$29.9 million net increase in capital assets contributed to the 2007 increase in total assets. Buildings and Construction in Progress (CIP) accounted for \$35.2 million of the 2007 increase, while furniture, fixtures, equipment, library materials, infrastructure, land and land improvements account for \$8.2 million. This total increase of \$43.4 million is reduced by net depreciation (new depreciation less depreciation on retired assets) of \$13.5 million, resulting in the 2007 net increase in capital assets of \$29.9 million. Capital Assets, net of accumulated depreciation, total \$319.7 million at June 30, 2007.

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**

Accounts receivable, including student loans, interest and receivables from the state of Wyoming decreased \$10.2 million in 2007. A \$12.1 million receivable at June 30, 2006, related to funding for the new University of Wyoming School of Energy Resources, was reduced by the state legislature to \$10.1 million. The 2007 decrease in receivables is largely due to receipt of this special appropriation. Other current and noncurrent assets such as inventories, loans to students and prepaid expenses, increased \$2.1 million in 2007 to complete the \$150.8 million increase in total assets.

### **Total Liabilities**

Total liabilities are also categorized as current and noncurrent. Total liabilities increased 2.1% or \$2.8 million during fiscal year 2007 to a total of \$136.4 million. In fiscal year 2006 they increased 1.8% or \$2.3 million to \$133.5 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 9.8% or \$5.9 million in 2007 to \$65.4 million and 10% or \$5.4 million in 2006 to \$59.5 million. Accounts payable increased \$3.5 million compared to last year. This increase is partially attributable to the major construction projects in progress across campus. Current payroll and related liabilities decreased by \$1.1 million, while deferred revenue, deposits held in custody for others (student apartment and residence hall deposits for example), accrued compensated absences and other post-employment benefits, and the current portion of revenue bonds payable and capital lease obligations increased by \$3.5 million.

### **Noncurrent Liabilities**

In 2006, noncurrent liabilities decreased 4% or \$3.1 million to a total of \$74 million, and in 2007 an additional net decrease of 4% or \$3 million resulted in total noncurrent liabilities of \$71 million. Both annual decreases are mainly attributable to \$3.2 and \$3.4 million reductions in revenue bonds payable as 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 2006, total assets of the University of Wyoming (\$676.9 million) exceeded total liabilities (\$133.5 million) by \$543.4 million, indicating a strong financial position at June 30, 2006. Fiscal year 2007's total assets of \$827.8 million exceed total liabilities of \$136.4 million by \$691.4 million. The increase in net assets this year of \$148 million, together with last year's increase of \$37.5 million, speaks to the existence of strong fundamental financial conditions at the state level, record-setting external funding sources, generous private gifts and donations, and sound financial management practices.

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 \$3 million versus \$92 million of appropriations restricted for capital purposes in 2006 and 2007, respectively. This disparity helps explain why the increase in net assets in 2007 (the first year of the current biennium) is so much larger than the increase in 2006.

## ***STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS***

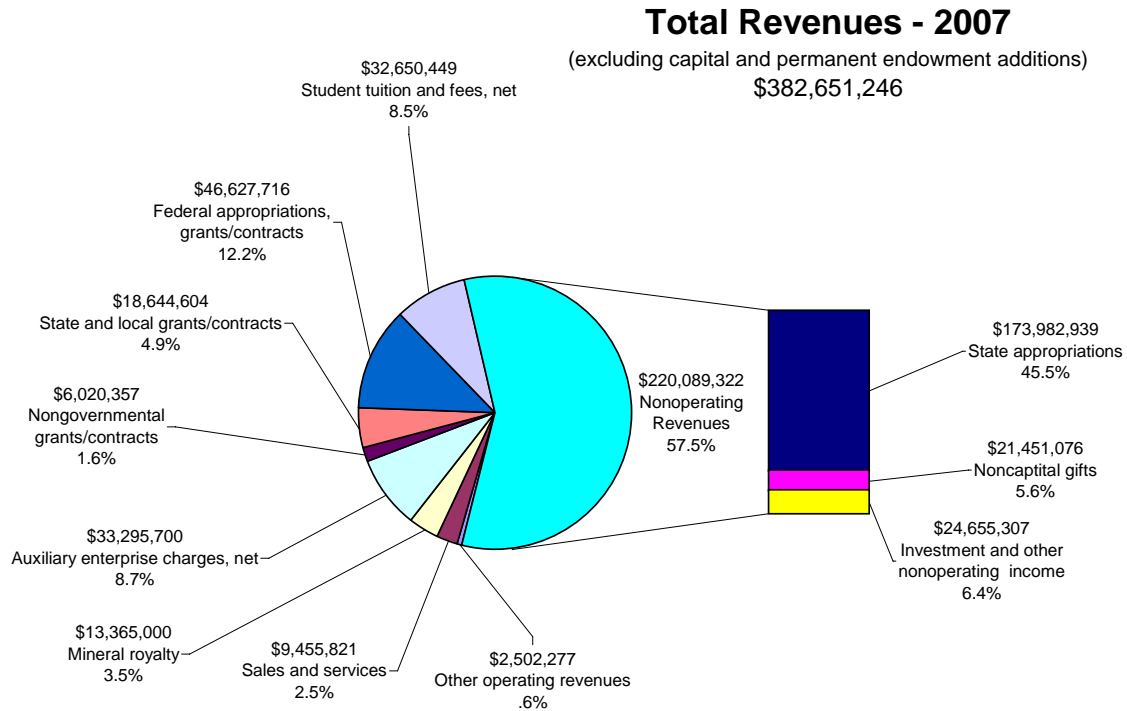
The Statement of Revenues, Expenses, and Changes in Net Assets presents the university's results of operations and supports the total change in net assets for the year. Taken together, the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets will help answer the question, "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 92% of UW's 2007 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)

	<b>2007</b>	<b>2006</b>
Operating revenues	\$ 162.5	\$154.6
Operating expenses	(332.5)	(312.2)
Operating income (loss)	(170.0)	(157.6)
Net nonoperating revenues (expenses)	217.8	180.9
Gain (loss) before other revenue, expenses, gains and losses	47.8	23.3
Net other revenue, expenses, gains and losses	100.2	14.2
<b>Increase (Decrease) in Net Assets</b>	<b>148.0</b>	<b>37.5</b>
Net assets - beginning of year	543.4	505.9
<b>Net Assets – End of Year</b>	<b>\$ 691.4</b>	<b>\$ 543.4</b>



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 \$480.5 million in 2007. Operating expenses in 2007 totaled \$332.5 million, resulting in the increase in net assets of \$148 million. In 2006, total resources were \$349.7 million and operating expenses were \$312.2 million, increasing net assets by \$37.5 million. For the two-year period, net assets increased 36.7% from \$505.9 million at June 30, 2005 to \$691.4 million at June 30, 2007.

## Revenues, Capital Appropriations, and Additions to Permanent Endowments

Net of nonoperating expenses  
(in millions)

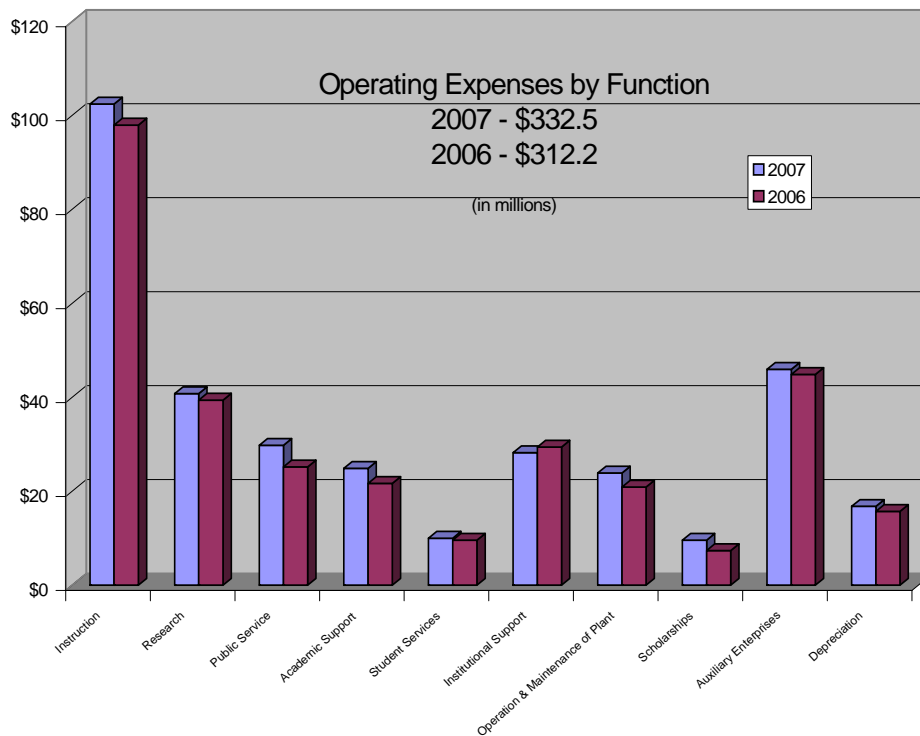
	2007	2006
Operating revenues	\$ 162.5	\$ 154.6
Nonoperating revenues	220.1	183.9
<b>Total revenue</b>	<b>382.6</b>	<b>338.5</b>
(excluding capital and permanent endowment additions)	382.6	338.5
Nonoperating expenses	(2.3)	(3.0)
Additions to permanent endowments	8.2	11.2
State appropriations restricted for capital purposes	92.0	3.0
<b>Total Revenues and Additions to Permanent Endowment (net of nonoperating expenses)</b>	<b>\$ 480.5</b>	<b>\$ 349.7</b>

The table below reflects 2006 and 2007 total operating expenses by their natural (object) classification and the following chart shows these same expenditures according to their function.

### Operating Expenses by Natural Classification

(in millions)

	2007	2006
Compensation and benefits	\$ 214.0	\$ 205.8
Supplies and support services	92.1	83.3
Scholarships	9.6	7.4
Depreciation	16.8	15.7
<b>Total Operating Expenses</b>	<b>\$ 332.5</b>	<b>\$ 312.2</b>



### 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)

	2007	2006
Cash provided by (used in):		
Operating activities	\$ (147.3)	\$ (145.0)
Noncapital financing activities	209.5	161.6
Investing activities	(40.7)	10.7
Capital and related financing activities	41.6	(42.1)
Net increase (decrease) in cash	63.1	(14.8)
Cash, beginning of the year	104.5	119.3
<b>Cash, End of the Year</b>	<b>\$ 167.6</b>	<b>\$ 104.5</b>

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 provided by capital and non-capital financing activities exceeded the cash used in operating and investing activities in 2007 by \$63.1 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 continue to provide 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.

As noted above in the Capital Assets section, significant capital activity continues at the University of Wyoming, evidenced by a \$29.9 million net increase in capital assets. Building additions and Construction in Progress (CIP) account for \$35.2 million of this increase; other capital asset additions add \$8.2 million and net depreciation of \$13.5 million reduces the increase to \$29.2 million.

Components of the \$35.2 million Buildings and CIP increase include:

- The new Archaeological and Anthropological Research Facility is substantially complete, contributing \$8.4 million to the fiscal year 2007 increase in capital assets. Total project expenditures at June 30, 2007 were \$12.9 million. This revenue bond funded project is expected to cost nearly \$16 million and is the university's first academic expansion north of the main campus.
- The Wyoming Technology Business Center (WTBC) is complete, adding \$2.8 million to the increase in capital assets. Total construction cost was \$11.6 million. WTBC is a state-of-the-art incubator providing business development assistance to entrepreneurs in Wyoming.

- Renovation of the Classroom Building is complete as the final \$4.9 million was expended during the fiscal year, bringing total project cost to \$12.6 million. Classes commenced in the fall of 2007 allowing students to enter a new era of technology-assisted education at UW.
- Eight (\$8) million was expended on the Intercollegiate Athletics Indoor Practice Facility, located east of the Rochelle Athletics Center. The 80,000 square foot facility is expected to cost a total of \$10.5 million and is scheduled for completion in November 2007.
- Other Building additions and CIP expenditures of \$8.4 million include preliminary design work on the College of Business expansion, renovation of the Education Annex and installation of a fire suppression system in Crane-Hill Residence Hall.
- Groundbreaking ceremonies for the Information Technology Facility took place in September 2007. The 2006 Wyoming State Legislature approved \$34.9 million for construction, plus an additional \$3.4 million to raze the Ivinson 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. Project expenditures in 2007 of \$1.5 million bring the construction cost at June 30, 2007 to \$1.9 million.
- The Legislature appropriated \$49.3 million for construction of the Information, Library and Learning Center (IL<sup>2</sup>C). This expansion of the existing Coe Library began during the summer of 2007 and will contribute to the beginning of a student services complex that includes the Wyoming Union, Half Acre Gymnasium, and possibly a future Student Services Building. Groundbreaking ceremonies were conducted in October and \$1.5 million was expended in 2007 bringing construction cost at year-end to \$2 million.
- Finally, retirements and impairments of capital facilities of \$.3 million reduce the total Buildings and CIP increase to \$35.2 million.

Work continues on the University of Wyoming Plaza, a 20,000 square-foot Education and Conference Center, comprising a 135-room Hilton Garden Inn and approximately 100,000 square feet of retail space anticipated to include restaurants, professional offices, a variety of retail shops, a bank and residential condominiums. The University of Wyoming Foundation, Hotel Investment Services and Grand Avenue Partners teamed up to make this complex a reality. The hotel will open in January 2008 with conferences beginning in February.

During fiscal year 2007, \$92 million in state appropriations restricted for capital purposes was received. In addition to the construction projects mentioned above, UW received \$27.2 million to address critical maintenance projects and \$18.9 million in facilities matching funds. 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.



**Capital Assets**  
(in millions)

	2007	2006
Total cost of capital assets	\$ 594.7	\$ 551.3
Less accumulated depreciation	(275.0)	(261.5)
<b>Capital Assets, net of depreciation</b>	<b>\$319.7</b>	<b>\$ 289.8</b>

**Debt Activity**

No new debt was issued during the fiscal year ended June 30, 2007. Total Revenue Bonds Payable at June 30, 2006 equaled \$50.1 million. Normal debt service of \$3.2 million reduced the balance at June 30, 2007 to \$46.9 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 45.5% of total revenues, followed by grants and contracts at 18.7%, and net tuition and fees contributing only 8.5%. The university received general fund appropriations of \$166.3 million and \$175.5 million for fiscal years 2007 and 2008 respectively, reflecting a 24.4% increase over the \$274.8 million received for the 2005-2006 biennium.

External funding from grants and contracts continues at a record-setting pace of \$72 million this past year and \$39 million in private and corporate giving to the University of Wyoming via the UW Foundation is an unprecedented achievement.

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 a modest 2.2% for the 2006- 2007 academic year while the 2007-2008 rate remains unchanged. 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.*

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. The university's 2007 supplemental budget request resulted in an additional \$4.5 million for salary adjustments, moving UW's employees closer to the current market point for classified staff; \$3.3 million for planning an addition to the College of Business; \$4.3 million to address cost increases in construction to the Information, Library and Learning Center project; \$1 million to battle ever-increasing utility costs and \$33 million in capital facility and endowment matching funds.

The state of Wyoming's support has been extraordinary and is expected to continue. Wyoming's Economic Analysis Division reports that employment growth ranks among the highest in the nation with new jobs spread across industry sectors. New natural gas pipeline construction in the next few years will substantially increase capacity and provide "an important new market opportunity for Wyoming. Production will remain sturdy going forward thanks to elevated energy prices and growing global demand." Personal income continues to grow and is slightly higher than the U.S. growth rate. Although "Wyoming communities with booming energy exploration continue to face housing shortages," the state is one of only a few in the nation to experience an increase in building permits. Foreclosure rates are among the lowest in the nation and existing home sales are among the highest. Taxable sales in the state are expanding, albeit at a slower rate than previous years. Travel and tourism industries enjoyed a strong economic year with visits to Yellowstone and Grand Teton National Parks up approximately 10% from a year ago. Investment income at the state level is up 27.1% from the previous year, thanks to infusions of additional severance tax collections into the Permanent Wyoming Mineral Trust Fund principal. Only the price index for livestock and agricultural products is down, due to the worst drought conditions in the state's history.

Taken together however, this bodes well for the University of Wyoming as Governor Freudenthal, the Joint Appropriations Committee and the 2008 Wyoming Legislature consider UW's 2009-2010 Biennium Budget Request in the coming months.

President Tom Buchanan challenged the university community to "pick up the pace" in his annual Fall Convocation Remarks on the State of the University. President Buchanan reminded the audience that now is not the time to be satisfied. In his closing remarks, he stated...

*Just a few years ago, who would have envisioned that our institutional plans would have yielded a School of Energy Resources, an NCAR supercomputer, Hathaway scholarships, endowed faculty positions, extraordinary new facilities, amazing private support, a record-breaking research enterprise, a strong statewide presence, and increasingly outstanding faculty and students. The university community, and that includes all of you, needs to help share that story with the state and the nation in new and creative ways.*

*Still, as you all know, there's a lot of work left to be done. So join me in "picking up the pace" at the University of Wyoming."*

UNIVERSITY OF WYOMING

STATEMENT OF NET ASSETS

June 30, 2007

<b>ASSETS</b>	University of Wyoming	University of Wyoming Foundation	Reclassifications/ Eliminations	Total
<b>Current Assets</b>				
Cash and cash equivalents (Note 2)	\$ 60,391,103	\$ 88,531	\$ (7,358,635)	\$ 53,120,999
Accounts receivable, net (Note 3)	13,297,666	2,518,108	(538,023)	15,277,751
Current portion of pledges receivable (Note 3)	301,598	4,478,663	-	4,780,261
Receivable from the State of Wyoming	6,609,507	-	-	6,609,507
Investments (Note 2)	108,264,338	336,546,453	(127,539,381)	317,271,410
Investments with Trustee (Note 2)	6,797,115	-	-	6,797,115
Interest receivable	158,386	-	-	158,386
Current portion of student loans receivable, net (Note 3)	3,892,988	180,313	(66,893)	4,006,408
Inventories	5,784,009	-	-	5,784,009
Prepaid expenses	1,921,264	-	-	1,921,264
<b>Total current assets</b>	<b>207,417,974</b>	<b>343,812,068</b>	<b>(135,502,932)</b>	<b>415,727,110</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents (Note 2)	107,256,794	-	-	107,256,794
Investments (Note 2)	174,629,434	4,620,411	-	179,249,845
Prepaid expenses	665,989	-	-	665,989
Receivable from State of Wyoming	301,641	-	-	301,641
Pledges receivable, net (Note 3)	-	15,052,490	-	15,052,490
Loans to students, net (Note 3)	16,278,348	-	-	16,278,348
Other investments	1,573,411	79,800	-	1,653,211
Capital assets, net of accumulated depreciation (Notes 4 and 5)	319,702,330	4,441,039	-	324,143,369
<b>Total noncurrent assets</b>	<b>620,407,947</b>	<b>24,193,740</b>	<b>-</b>	<b>644,601,687</b>
<b>Total assets</b>	<b>827,825,921</b>	<b>368,005,808</b>	<b>(135,502,932)</b>	<b>1,060,328,797</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payroll and related liabilities	17,519,446	-	-	17,519,446
Accounts payable and accrued liabilities	13,260,619	2,591,943	(762,055)	15,090,507
Liability under securities lending (Note 2)	6,797,115	-	-	6,797,115
Deferred revenue	9,511,646	-	-	9,511,646
Deposits held in custody for others (Note 5)	8,118,617	134,898,015	(134,964,909)	8,051,723
Accrued compensated absences (Note 5)	5,745,591	-	-	5,745,591
Other post-employment benefits (Notes 5 and 9)	745,768	-	-	745,768
Current portion of revenue bonds payable (Note 5)	3,382,495	-	-	3,382,495
Current portion of capital lease obligations (Note 5)	293,625	-	-	293,625
<b>Total current liabilities</b>	<b>65,374,922</b>	<b>137,489,958</b>	<b>(135,726,964)</b>	<b>67,137,916</b>
<b>Noncurrent Liabilities (Note 5)</b>				
Deposits held in custody for others	5,638,607	9,065,828	-	14,704,435
Accrued compensated absences	5,745,591	-	-	5,745,591
Other post-employment benefits (Note 9)	8,062,806	-	-	8,062,806
Revenue bonds payable	43,517,023	-	-	43,517,023
Capital lease obligations	1,211,934	-	-	1,211,934
U.S. Government loans refundable	6,822,734	-	-	6,822,734
<b>Total noncurrent liabilities</b>	<b>70,998,695</b>	<b>9,065,828</b>	<b>-</b>	<b>80,064,523</b>
<b>Total liabilities</b>	<b>136,373,617</b>	<b>146,555,786</b>	<b>(135,726,964)</b>	<b>147,202,439</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, net of related debt	276,416,097	-	-	276,416,097
Restricted for:				
Nonexpendable	139,793,273	139,760,684	-	279,553,957
Expendable:				
Scholarships, research, instruction and other	66,255,041	66,597,358	-	132,852,399
Loans	18,816,030	-	-	18,816,030
Capital projects (Note 8)	123,927,666	-	-	123,927,666
Unrestricted	66,244,197	15,091,980	224,032	81,560,209
<b>Total net assets</b>	<b>\$ 691,452,304</b>	<b>\$ 221,450,022</b>	<b>\$ 224,032</b>	<b>\$ 913,126,358</b>

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2007

	University of Wyoming	University of Wyoming Foundation	Reclassifications/ Eliminations	Total
<b>Operating Revenues (Note 11)</b>				
Tuition and fees (net of scholarship allowances \$14,140,184)	\$ 32,650,449	\$ -	\$ -	\$ 32,650,449
Federal appropriations	3,085,291	-	-	3,085,291
Federal grants and contracts	43,542,425	-	-	43,542,425
State and local grants and contracts	18,644,604	-	-	18,644,604
Nongovernmental grants and contracts	6,020,357	-	-	6,020,357
Mineral royalty	13,365,000	-	-	13,365,000
Sales and services of educational departments	9,455,821	-	-	9,455,821
Auxiliary enterprise charges (net of scholarship allowances \$3,801,183)	33,295,700	-	-	33,295,700
Interest earned on loans to students	209,316	-	-	209,316
Investment income	-	37,729,451	(37,729,451)	-
Contributions	-	28,357,130	-	28,357,130
Other operating revenues	2,292,961	2,016,397	(2,687,164)	1,622,194
<b>Total operating revenues</b>	<b>162,561,924</b>	<b>68,102,978</b>	<b>(40,416,615)</b>	<b>190,248,287</b>
<b>Operating Expenses (Note 10)</b>				
Instruction	102,476,825	2,421,509	(1,946,476)	102,951,858
Research	40,859,263	317,273	(273,058)	40,903,478
Public service	29,758,445	296,498	(222,571)	29,832,372
Academic support	24,887,033	1,320,341	(1,269,633)	24,937,741
Student services	9,991,265	91,695	(87,695)	9,995,265
Institutional support	28,252,046	10,779,937	(9,345,788)	29,686,195
Operation and maintenance of plant	23,966,329	15,048,165	(9,746,396)	29,268,098
Scholarships	9,605,372	2,801,411	(1,848,627)	10,558,156
Auxiliary enterprises	45,991,555	357,788	(316,114)	46,033,229
Depreciation	16,785,386	37,346	-	16,822,732
<b>Total operating expenses</b>	<b>332,573,519</b>	<b>33,471,963</b>	<b>(25,056,358)</b>	<b>340,989,124</b>
<b>Operating income (loss)</b>	<b>(170,011,595)</b>	<b>34,631,015</b>	<b>(15,360,257)</b>	<b>(150,740,837)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	173,982,939	-	-	173,982,939
Gifts	21,451,076	-	(16,016,657)	5,434,419
Investment income	24,413,040	-	31,600,946	56,013,986
Interest expense	(2,290,710)	-	-	(2,290,710)
Other nonoperating	242,267	-	-	242,267
<b>Net nonoperating revenues</b>	<b>217,798,612</b>	<b>-</b>	<b>15,584,289</b>	<b>233,382,901</b>
<b>Gain before other revenues, expenses, gains and losses</b>	<b>47,787,017</b>	<b>34,631,015</b>	<b>224,032</b>	<b>82,642,064</b>
State Appropriations Restricted for Capital Purposes	91,964,931	-	-	91,964,931
Additions to Permanent Endowments (Note 12)	8,243,037	3,466,637	-	11,709,674
<b>Net increase in net assets</b>	<b>147,994,985</b>	<b>38,097,652</b>	<b>224,032</b>	<b>186,316,669</b>
<b>Net Assets</b>				
Beginning of year	543,457,319	183,352,370	-	726,809,689
End of year	\$ 691,452,304	\$ 221,450,022	\$ 224,032	\$ 913,126,358

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

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Cash Flows from Operating Activities	
Tuition, fees and grants received	\$ 167,865,305
Payments to employees and fringe benefits	(212,466,358)
Payments to vendors and suppliers	(91,353,707)
Payments for scholarships	(9,605,372)
Loans issued to students	(3,961,869)
Collection of loans to students	2,734,727
Other receipts	13,923,966
Other payments	(14,420,543)
<b>Net cash (used in) operating activities</b>	<b>(147,283,851)</b>
Cash Flows from Noncapital Financing Activities	
State appropriations	179,986,137
Grants for other than capital purposes	6,236
Gifts for other than capital purposes	29,516,830
<b>Net cash provided by noncapital financing activities</b>	<b>209,509,203</b>
Cash Flows from Investing Activities	
Purchases of investments	(401,302,599)
Proceeds from sales and maturities of investments	350,148,095
Interest received on investments	10,479,076
<b>Net cash (used in) investing activities</b>	<b>(40,675,428)</b>
Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(45,476,258)
Proceeds from sale of capital assets	758,916
Capital appropriations received	92,269,926
Capital grants and gifts received	(169,883)
Proceeds of capital debt	1,225
Repayments of capital debt and leases	(3,501,716)
Interest paid on capital debt and leases	(2,290,711)
<b>Net cash provided by capital and related financing activities</b>	<b>41,591,499</b>
<b>Net increase in cash and cash equivalents</b>	<b>63,141,423</b>
Cash and Cash Equivalents	
Beginning of year	104,506,474
End of year	\$ 167,647,897

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**UNIVERSITY OF WYOMING**

**STATEMENT OF CASH FLOWS (Continued)**  
**Year Ended June 30, 2007**

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Reconciliation of Operating (Loss) to Net Cash  
(Used in) Operating Activities

Operating (loss)	<u>\$ (170,011,595)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	16,785,386
Provision for uncollectable loans and write-offs	660,951
Miscellaneous nonoperating income	85,401
Changes in assets and liabilities:	
Receivables, net	3,643,080
Inventories	(1,162,083)
Prepaid expenses	(230,112)
Notes receivable, net	(1,227,142)
Accounts payable and accrued liabilities	2,396,274
Deferred revenue	1,109,136
Deposits held in custody for others	(663,321)
U.S. Government loans refundable	81,341
Accrued compensated absences	<u>1,248,833</u>
<b>Total adjustments</b>	<u>22,727,744</u>
 <b>Net cash (used in) operating activities</b>	 <u><u>\$ (147,283,851)</u></u>

Noncash Investing, Capital, and Financing Activities

Change in fair value of investments	\$ 13,171,445
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See Notes to Financial Statements.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### 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 Vinson Avenue, Laramie, Wyoming 82070.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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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 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, evaluate, and agree with the valuation methods and assumptions used by the investment managers 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

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

Capital assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. At management's discretion, certain bulk purchases of items that individually do not exceed \$5,000 may be capitalized and depreciated over an estimated blended life of the items. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

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

The University evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The University will consider an asset impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The University will recognize an impairment loss when the University considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value. During the current year, the University recognized \$291,407 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

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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.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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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.

Reclassification of certain items on the statement of cash flow: Certain items in the statement of cash flows as of June 30, 2006 have been reclassified, with no effect on cash, to be consistent with the classification adopted for the year ended June 30, 2007.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### **Note 2. Deposits with Financial Institutions and Investments**

Wyoming Statute 9-4-817 authorizes agencies of the State to deposit public funds in financial institutions authorized to do business in the State of Wyoming. These deposits must be fully insured by Federal Deposit Insurance Corporation (FDIC) or secured by a pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest. Alternatively, a depository may pledge conventional real estate mortgages and notes connected with mortgages at a ratio of one and one-half to one (1½:1) of the value of public funds secured by the securities.

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

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

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

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

### *Deposits:*

At June 30, 2007, the carrying amount of the University's demand deposits in financial institutions was \$28,510,330 and the bank balances were \$35,465,659. 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, 2007, the University had \$131,778,932 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, 2007, the University had \$7,358,635 on deposit with the Foundation. Detailed information on the Foundation's pooled cash and investments is available from the Foundation.

### *Investments:*

As of June 30, 2007, 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	\$ 121,666,174	\$ 121,586,700	.46
Certificate of Deposit	2,400,000	2,400,000	.26
U.S. Government Sponsored			
Enterprise	9,940	9,909	.47
Exchange Traded Funds	7,611,837	8,885,189	n/a
	\$ 131,687,951	\$ 132,881,798	

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	\$ 121,586,700	\$ 121,586,700
U.S. Government Sponsored		
Enterprise Notes	9,909	9,909
	\$ 121,596,609	\$ 121,596,609

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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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, 2007, the University held securities from the following issuers in excess of 5% of the total portfolio: Federal Home Loan Bank 8.66%, Federal Home Loan Mortgage Corporation 13.10% and Federal National Mortgage Corporation 24.18%.

### *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, 2007, 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	\$ 74,846	\$ 87,830	n/a
Real assets	2,763,397	3,559,079	n/a
Private equity	6,994,615	10,689,699	n/a
Absolute return	13,194,473	18,890,298	n/a
Fixed income	14,799,724	16,924,750	5.89
Hedged equity	8,163,465	14,537,984	n/a
International equity	12,257,831	22,990,319	n/a
Domestic equity	23,388,743	39,859,422	n/a
	<u>\$ 81,637,094</u>	<u>\$ 127,539,381</u>	

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

1. The initial investment in any one issuer should not exceed 10% of a manager's portfolio (with the exception of U.S. Government securities);
2. The investment with any one issuer should not exceed 15% of a manager's portfolio (with the exception of U.S. Government securities);
3. No purchases of securities of the portfolio manager's organization or of any firm with controlling interest in said organization are to be made.

At June 30, 2007, 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, 2007 are as follows:

	Carrying Value	Market Value
Money market funds	\$ 4,590,259	\$ 4,590,259
Corporate stocks	111,262,402	157,408,626
Corporate bonds and notes	69,480,981	67,117,653
Alternative investments	80,180,719	104,694,465
Real estate	79,800	79,800
Government obligations	2,751,686	2,735,450
Cash value of life insurance policies	264,961	264,961
Other investments	4,354,602	4,355,450
	<u>\$ 272,965,410</u>	<u>\$ 341,246,664</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, 2007, the alternative investments held by the Foundation were \$104,694,465.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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



# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

The University investments held by the State Treasurer's Office at June 30, 2007 are presented as follows:

Investment Type	Fair Value	Percentage
Fixed income:		
Asset based securities	\$ 321,420	1.30%
Certificate of deposit	1,301	0.01%
CMO/REMIC	337,410	1.37%
Commercial mortgage backed securities	25,196	0.10%
Commercial paper	326,270	1.32%
Convertible fund	326,175	1.32%
Corporate bonds	626,063	2.54%
Government bond sovereign debt	210,243	0.85%
International authority	1,897	0.01%
Mortgage backed securities	1,567,657	6.35%
Municipal bonds	2,285	0.01%
Repurchase agreement pools	98,056	0.40%
U.S. Government agencies	5,486,117	22.22%
U.S. Treasury securities	430,714	1.73%
<b>Total fixed income investments</b>	<b>9,760,804</b>	<b>39.53%</b>
Equities:		
Domestic equities	8,353,562	33.54%
Foreign equities	4,597,060	18.46%
Foreign spot/forward currency contracts	(5,252)	-0.02%
U.S. dollar denominated forward currency contracts	10,503	0.04%
Mutual fund	183,872	0.74%
U.S. dollar denominated foreign equities	189,123	0.76%
<b>Total equity investments</b>	<b>13,328,868</b>	<b>53.52%</b>
Alternative investments:		
Options	(42,012)	-0.17%
Futures/swaps	10,501	0.04%
Foreign futures/swaps	5,251	0.02%
Private equity	546,154	2.19%
Real estate	1,076,558	4.32%
U.S. dollar forward currency contracts	346,598	1.39%
Foreign fixed forward currency contracts	(346,598)	-1.39%
<b>Total alternative investments</b>	<b>1,596,452</b>	<b>6.40%</b>
Currency:		
Currency	99,054	0.40%
Foreign currency	36,494	0.15%
<b>Total currency</b>	<b>135,548</b>	<b>0.55%</b>
<b>Total investments</b>	<b>\$ 24,821,672</b>	<b>100.00%</b>

Credit risk: The credit risk disclosures for the University's portion of the State's fixed income investments are presented on the following page.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

Category	Credit Rating	Market Value	% of Total Investments
Asset Backed Securities	AAA	\$ 266,897	2.734%
Asset Backed Securities	AA	4,071	0.042%
Asset Backed Securities	A	1,173	0.012%
Asset Backed Securities	BBB	2,967	0.030%
Asset Backed Securities	BB	1,619	0.017%
Asset Backed Securities	NR	44,693	0.458%
Certificate of Deposit	A-2	1,301	0.013%
CMO / Remic - FHLB	AAA	68	0.001%
CMO / Remic - FHLMC	AAA	38,994	0.399%
CMO / Remic - FNMA	AAA	25,034	0.256%
CMO / Remic - Commercial	AAA	243,829	2.498%
CMO / Remic - Commercial	AA	3,329	0.034%
CMO / Remic - Commercial	BBB	892	0.009%
CMO / Remic - Commercial	NR	25,264	0.259%
Commercial Mortgage Bonds	AAA	23,536	0.241%
Commercial Mortgage Bonds	NR	1,660	0.017%
Commercial Paper	A-1	227,618	2.332%
Commercial Paper	NR	98,652	1.011%
Convertible Fund	NR	326,175	3.342%
Corporate Bonds	AAA	16,128	0.165%
Corporate Bonds	AA	77,541	0.794%
Corporate Bonds	A	155,911	1.597%
Corporate Bonds	BBB	299,706	3.071%
Corporate Bonds	BB	44,546	0.456%
Corporate Bonds	B	23,456	0.240%
Corporate Bonds	CCC	2,746	0.028%
Corporate Bonds	NR	6,029	0.062%
Discount Notes FHLB	AAA	8,727	0.089%
Discount Notes FNMA	AAA	1,280	0.013%
FFCB	AAA	847,032	8.678%
FHLB	AAA	2,637,495	27.021%
FHLMC	AAA	1,298,815	13.306%
FNMA	AAA	692,768	7.097%
Government Bonds Sovereign Debt	AAA	149,696	1.534%
Government Bonds Sovereign Debt	AA	46,088	0.472%
Government Bonds Sovereign Debt	A	389	0.004%
Government Bonds Sovereign Debt	BBB	5,691	0.058%
Government Bonds Sovereign Debt	BB	5,324	0.055%
Government Bonds Sovereign Debt	NR	3,054	0.031%
International Authority	AA	1,816	0.019%
International Authority	A	81	0.001%
Mortgage Backed Securities FHLMC	AAA	340,679	3.490%
Mortgage Backed Securities FNMA	AAA	1,129,564	11.572%
Mortgage Backed Securities GNMA	AAA	97,414	0.998%
Municipal Bonds	AA	524	0.005%
Municipal Bonds	BBB	1,761	0.018%
Repurchase Agreement Pools	NR	98,056	1.005%
U.S. Treasury Bills	AAA	163,190	1.672%
U.S. Treasury Bonds	AAA	39,368	0.403%
U.S. Treasury Notes	AAA	228,157	2.337%
		<u>\$ 9,760,804</u>	<u>100.000%</u>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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.

Concentration of credit risk: The University's portion of the State fixed income portfolio holds \$5,486,117 or 56.21% of the fixed income securities in government agency securities such as Federal Home Loan Bank (FHLB) and Federal Home Loan Mortgage Corporation (FHLMC). These agency securities hold a rating of AAA.

While the State's Master Investment Policy sets limits for concentration of investments, it provides that U.S. agency bonds are eligible without limitation.

Interest rate risk: The interest rate disclosure for the University's portion of the State fixed income investments is presented below.

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 U.S. Government agency securities holding AAA ratings.

Category	Market	Less Than 1 Year	1 - 5 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ 321,420	\$ 150,958	\$ 158,792	\$ 3,982	\$ 7,688
Certificate of Deposit	1,301	1,301	-	-	-
CMO / Remic - FHLB	68	68	-	-	-
CMO / Remic - FHLMC	38,994	2,544	19,098	-	17,352
CMO / Remic - FNMA	25,034	330	20,528	-	4,176
CMO / Remic - Commercial	273,314	112,340	124,566	30,903	5,505
Commercial Mortgage Bonds	25,196	1,284	4,035	18,819	1,058
Commercial Paper	326,270	326,270	-	-	-
Convertible Fund	326,175	-	-	-	326,175
Corporate Bonds	626,063	53,505	211,166	197,268	164,124
Discount Notes FHLB	8,727	8,727	-	-	-
Discount Notes FNMA	1,280	1,280	-	-	-
FFCB	847,032	-	-	847,032	-
FHLB	2,637,495	150,290	1,966,409	520,349	447
FHLMC	1,298,815	-	1,298,518	-	297
FNMA	692,768	579,279	102,875	10,614	-
Government Bonds Sovereign Debt	210,242	869	79,240	93,356	36,777
International Authority	1,897	-	1,816	81	-
Mortgage Backed Securities FHLMC	340,679	8	124,814	215,857	-
Mortgage Backed Securities FNMA	1,129,564	2,378	480,427	646,759	-
Mortgage Backed Securities GNMA	97,414	-	24,173	73,241	-
Municipal Bonds	2,285	-	-	-	2,285
Repurchase Agreement Pools	98,056	98,056	-	-	-
US Treasury Bills	163,190	156,264	-	6,926	-
US Treasury Bonds	39,368	-	3,382	2,938	33,048
US Treasury Notes	228,157	515	136,538	65,854	25,250
	<u>\$ 9,760,804</u>	<u>\$ 1,646,266</u>	<u>\$ 4,756,377</u>	<u>\$ 2,733,979</u>	<u>\$ 624,182</u>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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:

Securities Lent	Fair Value Underlying Securities	Cash Collateral Received/ Securities Collateral Value
Lent for cash collateral:		
U.S. Governments	\$ 121,480	\$ 123,330
U.S. Government agencies	4,721,767	4,799,053
Corporate securities	73,725	74,641
Equities	1,741,412	1,800,091
<b>Total lent for cash collateral</b>	<b>6,658,384</b>	<b>6,797,115</b>
Lent for securities collateral:		
Equities	31	32
U.S. Governments	81,225	82,850
U.S. Government agencies	4,313	4,399
<b>Total lent for bulk (securities) collateral</b>	<b>85,569</b>	<b>87,281</b>
<b>Total securities lending</b>	<b>\$ 6,743,953</b>	<b>\$ 6,884,396</b>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

Credit risk: The credit risk disclosures for the University's share of the State's securities lending program are presented as follows:

	Credit Rating	Cash Collateral Purchased	Percentage of Total Investments
Asset Backed Securities	AAA	\$ 510,447	7.510%
CMO / Remic - Commercial	AAA	655,446	9.643%
Commercial Paper	AAA	36,572	0.538%
Commercial Paper	A-1	366,019	5.385%
Master Notes	A-1	280,752	4.130%
Master Notes	AA	127,029	1.869%
Master Notes	A	36,820	0.542%
Medium Term Notes	AAA	688,336	10.127%
Medium Term Notes	A-1	145,272	2.137%
Medium Term Notes	AA	285,355	4.198%
Medium Term Notes	A	338,744	4.984%
Medium Term Notes	NR	73,633	1.083%
Repurchase Agreement Pools	A-1	471,453	6.936%
Repurchase Agreement Pools	N/R	2,781,237	40.918%
		<u>\$ 6,797,115</u>	<u>100.00%</u>

Custodial credit risk: For the State's securities lending program, the State has lent its securities for other securities. These securities have custodial credit risk and at June 30, 2007, the University's portion of these securities had an amortized cost of \$310,347. By investment type there were \$307,359 in U.S. Government securities and \$2,975 in U.S. Government agencies.

Concentration of credit risk: The State's securities lending program does not have any concentration of credit risk exposure.

Interest rate risk: 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. The maturity assumptions of average life of the University's portion of the security lending portfolio are displayed in the following table:

Category	Cost	Less Than 1 Year	1 - 5 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ 510,447	\$ 116,822	\$ 393,625	\$ -	\$ -
CMO / Remic - Commercial	655,446	183,460	471,986	-	-
Commercial Paper	402,591	402,591	-	-	-
Master Notes	444,601	289,957	154,644	-	-
Medium Term Notes	1,531,340	910,935	620,405	-	-
Repurchase Agreement Pools	3,252,690	3,252,690	-	-	-
	<u>\$ 6,797,115</u>	<u>\$ 5,156,455</u>	<u>\$ 1,640,660</u>	<u>\$ -</u>	<u>\$ -</u>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Loans, Accounts Receivable and Pledges Receivable

Loans receivable: Approximately 59% of the University's loans receivable are loans made under medical school contracts. These are loans made to students for the completion of medical school and contain special clauses regarding repayment. The standard repayment terms under these medical school contracts are as follows:

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

*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.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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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, 2007 as follows:

	Accounts Receivable	Pledges Receivable
Total receivable	\$ 13,932,959	\$ 385,225
Less allowance for doubtful accounts	(635,293)	(83,627)
Net receivable	<u>\$ 13,297,666</u>	<u>\$ 301,598</u>

Included in the amounts above is \$4,416,384, which is due from the U.S. Government at June 30, 2007.

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, 2007:

Due within 1 year	\$ 4,478,663
Due 1 to 5 years	17,837,807
Due 5 years and later	415,577
	<u>22,732,047</u>
Less allowance for uncollectable pledges	911,108
Less discount to present value	2,289,786
<b>Total pledges receivable</b>	<u><u>\$ 19,531,153</u></u>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

### Note 4.

Following are the changes in capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$ 5,820,510	\$ 169,882	\$ -	\$ (818)	\$ 5,989,574
Land improvements	2,475,439	-	-	-	2,475,439
Construction in progress	26,933,206	33,673,400	(28,265,901)	(16,417)	32,324,288
<b>Total capital assets not being depreciated</b>	<b>\$ 35,229,155</b>	<b>\$33,843,282</b>	<b>\$(28,265,901)</b>	<b>\$ (17,235)</b>	<b>\$ 40,789,301</b>
Other capital assets:					
Infrastructure	\$ 12,378,850	\$ -	\$ -	\$ -	\$ 12,378,850
Land improvements	8,922,212	331,210	567,345	-	9,820,767
Buildings	350,236,058	2,864,984	27,238,861	(342,214)	379,997,689
Furniture, fixtures and equipment	80,372,460	7,876,873	459,695	(3,349,858)	85,359,170
Library materials	64,258,328	2,157,265	-	-	66,415,593
<b>Total other capital assets</b>	<b>516,167,908</b>	<b>13,230,332</b>	<b>28,265,901</b>	<b>(3,692,072)</b>	<b>553,972,069</b>
Less accumulated depreciation for:					
Infrastructure	(9,887,492)	(192,818)	-	-	(10,080,310)
Land improvements	(3,168,764)	(453,773)	-	-	(3,622,537)
Buildings	(134,207,002)	(7,381,676)	-	4,065	(141,584,613)
Furniture, fixtures and equipment	(60,697,482)	(6,321,244)	-	3,282,278	(63,736,448)
Library materials	(53,599,257)	(2,435,875)	-	-	(56,035,132)
<b>Total accumulated depreciation</b>	<b>(261,559,997)</b>	<b>(16,785,386)</b>	<b>-</b>	<b>3,286,343</b>	<b>(275,059,040)</b>
<b>Other capital assets, net</b>	<b>\$ 254,607,911</b>	<b>\$ (3,555,054)</b>	<b>\$ 28,265,901</b>	<b>\$ (405,729)</b>	<b>\$278,913,029</b>
Capital asset summary:					
Capital assets not being depreciated	\$ 35,229,155	\$33,843,282	\$(28,265,901)	\$ (17,235)	\$ 40,789,301
Other capital assets, at cost	516,167,908	13,230,332	28,265,901	(3,692,072)	553,972,069
<b>Total cost of capital assets</b>	<b>551,397,063</b>	<b>47,073,614</b>	<b>-</b>	<b>(3,709,307)</b>	<b>594,761,370</b>
Less accumulated depreciation	(261,559,997)	(16,785,386)	-	3,286,343	(275,059,040)
<b>Capital assets, net</b>	<b>\$ 289,837,066</b>	<b>\$30,288,228</b>	<b>\$ -</b>	<b>\$ (422,964)</b>	<b>\$319,702,330</b>

During the year ended June 30, 2007, a private gift was received for a new academic building. The plan includes razing of one building in the future. As a result, an impairment loss of \$291,407 was recognized in fiscal year 2007 in accordance with GASB 42.



# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
<b>Bonds and capital lease obligations:</b>					
Revenue bonds payable	\$ 50,122,012	\$ 1,225	\$ 3,223,719	\$ 46,899,518	\$ 3,382,495
Capital lease obligations	1,783,556	-	277,997	1,505,559	293,625
<b>Total bonds and capital leases</b>	<b>51,905,568</b>	<b>1,225</b>	<b>3,501,716</b>	<b>48,405,077</b>	<b>3,676,120</b>
<b>Other liabilities:</b>					
Accrued compensated absences	10,242,349	8,619,651	7,370,818	11,491,182	5,745,591
Deposits held in custody for others	14,420,545	-	663,321	13,757,224	8,118,617
Other post-employment benefits	7,386,141	2,175,334	752,901	8,808,574	745,768
U.S. Government loans refundable	6,741,393	81,341	-	6,822,734	-
<b>Total other liabilities</b>	<b>38,790,428</b>	<b>10,876,326</b>	<b>8,787,040</b>	<b>40,879,714</b>	<b>14,609,976</b>
<b>Total long-term liabilities</b>	<b>\$ 90,695,996</b>	<b>\$10,877,551</b>	<b>\$ 12,288,756</b>	<b>\$ 89,284,791</b>	<b>\$ 18,286,096</b>

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.

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

Revenue bonds payable consist of the following at June 30, 2007:

	Authorized and Issued	Interest Rates	Bonds Outstanding at June 30, 2007
Facilities Improvement and Refunding Revenue Bonds: Series 1999	18,760,000	3.5-5.5%	9,055,000
Facilities Improvement Revenue Bonds: Series 2001	9,120,000	3.5-5.5%	7,270,000
Facilities Refunding Revenue Bonds: Series 2003	4,340,000	3.0-3.5%	4,080,000
Facilities Improvement Revenue Bonds: Series 2004	11,100,000	4.1-5.0%	10,670,000
Facilities Improvement Revenue Bonds: Series 2005	16,000,000	4.95-5.0%	14,965,000
	<u>59,320,000</u>		<u>46,040,000</u>
Original issue discount/premium			<u>859,518</u>
			<u>46,899,518</u>

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

	Principal	Interest
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	2,345,000	1,672,761
2013-2017	13,540,000	6,542,313
2018-2022	12,465,000	2,957,833
2023-2025	5,155,000	479,000
	<u>\$ 46,040,000</u>	<u>\$ 19,557,162</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

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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, 2007:

	Airplane	Scoreboards	Other Equipment	Total
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	135,907	-	-	135,907
2013-2015	430,389	-	-	430,389
<b>Total minimum lease payments</b>	<b>1,109,924</b>	<b>591,718</b>	<b>38,454</b>	<b>1,740,096</b>
Less amount representing interest	(182,550)	(45,603)	(6,384)	(234,537)
<b>Net present value of minimum lease payments</b>	<b>\$ 927,374</b>	<b>\$ 546,115</b>	<b>\$ 32,070</b>	<b>\$ 1,505,559</b>

The cost of assets acquired under capital lease is \$3,172,348. Accumulated amortization as of June 30, 2007 is \$3,078,736. Amortization of leased assets is included in depreciation expense.

During the year ended June 30, 2007, 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. Ownership of the building 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, which is expected during fiscal year 2007-2008. Total costs of the building construction are expected to be \$8,200,000. The University will be responsible to fund any construction costs in excess of this amount. The project is expected to be partially funded by gifts to the Foundation in the amount of \$4,500,000. Annual lease payments are expected to be \$148,000 plus interest.

### 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

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Following is a reconciliation of the unpaid claims liability for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ 750,000	\$ 325,000
Claims incurred	515,663	1,227,449
Claims paid	(515,663)	(802,449)
Unpaid claims liability, end of fiscal year	<u>\$ 750,000</u>	<u>\$ 750,000</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 \$487 per month for a single participant, \$963 for a participant plus his/her spouse or children, \$1,101 per participating family or \$551 for married couples both of whom are employed by the University or another State agency for insurance premiums for covered participants towards these plans. Participants are responsible for paying premium charges in excess of this amount.

The University participates in a long-term disability program and contributes 100% of the premium per month for each eligible employee at the rate of \$0.32 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 2007 were \$1,949,257.

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 2007 and 2006 are as follows for the University's participation in the Unemployment Compensation Act program:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Claims incurred	133,846	106,188
Claims paid	(133,846)	(106,188)
Unpaid claims liability, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### **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 \$250,054,000. As of June 30, 2007, the remaining commitment to complete these projects totaled approximately \$160,523,000. 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

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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, 2005, 2006 and 2007, the University's contributions to the WRS were \$5,390,233, \$5,404,660 and \$5,596,376, 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, 2005, 2006 and 2007 were \$9,458,500, \$9,793,324 and \$10,426,390, 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 \$610 a month for individuals and \$1,446 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. There are 96 employees that have elected board retirement and are participating in the plan as of June 30, 2007. The total amount charged to expense during the year ended June 30, 2007 was \$1,331,483. The total accrued liability at June 30, 2007 is \$7,862,007. Effective June 7, 2007, the policy was changed such that any employee who retires and has completed 25 years of service or has 15 years of service immediately preceding the date of retirement shall receive the same sick leave conversion benefit as Board Retirees have in the past.

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. There are 503 employees that have elected board retirement and are participating in the plan as of June 30, 2007. The total amount charged to expense during the year ended June 30, 2007 was \$102,441. The total accrued liability at June 30, 2007 is \$942,209.

# 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				Total
	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	
Instruction	\$ 90,948,842	\$11,527,983	\$ -	\$ -	\$102,476,825
Research	29,078,675	11,780,588	-	-	40,859,263
Public service	20,411,788	9,346,657	-	-	29,758,445
Academic support	15,547,032	9,340,001	-	-	24,887,033
Student services	6,862,155	3,129,110	-	-	9,991,265
Institutional support	20,645,855	7,606,191	-	-	28,252,046
Operation of plant	9,906,339	14,059,990	-	-	23,966,329
Scholarships	-	-	-	9,605,372	9,605,372
Auxiliary enterprises	20,623,089	25,368,466	-	-	45,991,555
Depreciation	-	-	16,785,386	-	16,785,386
<b>Total expenses</b>	<b>\$ 214,023,775</b>	<b>\$92,158,986</b>	<b>\$ 16,785,386</b>	<b>\$ 9,605,372</b>	<b>\$332,573,519</b>

### 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	\$ 31,889,377
Noncurrent assets	1,982,769
<b>Total assets</b>	<b>\$ 33,872,146</b>

##### Liabilities:

Current liabilities	\$ 8,553,855
Noncurrent liabilities	496,955
<b>Total liabilities</b>	<b>\$ 9,050,810</b>

##### Net assets:

Invested in equipment	\$ 1,252,621
Restricted for maintenance required by bond resolution	500,000
Restricted for capital projects	2,551,866
Unrestricted	20,516,849
<b>Total net assets</b>	<b>\$ 24,821,336</b>

# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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

Operating revenues:	
Sales	\$ 16,924,344
Rents and fees	15,536,136
Nonenterprise revenue	14,265,000
Miscellaneous	254,350
Total operating revenues	<u>46,979,830</u>
Operating expenses:	
Operating expenses	26,326,576
Depreciation	304,815
Total operating expenses	<u>26,631,391</u>
<b>Operating income</b>	<u>20,348,439</u>
Nonoperating revenues, investment income	<u>5,947,093</u>
Nonoperating expenses and other items:	
Interest on indebtedness	2,378,929
Retirement of indebtedness	3,155,000
Expanded for plant facilities	7,597,164
Mandatory transfers	(186,897)
Nonmandatory transfers	13,588,307
Total nonoperating expenses and other items	<u>26,532,503</u>
<b>(Decrease) in net assets</b>	(236,971)
Net assets, beginning of year	<u>(25,058,307)</u>
Net assets, end of year	<u><u>\$ (24,821,336)</u></u>

### Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 20,268,775
Net cash (used in) capital financing activities	(21,225,096)
Net cash (used in) noncapital financing activities	(13,401,411)
Net cash provided by investing activities	13,542,616
<b>Net increase in cash</b>	<u>(815,116)</u>
Cash and cash equivalents, beginning of year	<u>27,038,754</u>
Cash and cash equivalents, end of year	<u><u>\$ 26,223,638</u></u>



# UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

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### **Note 12. Excellence in Higher Education Endowment**

During the year ended June 30, 2007, the State Constitution was amended to change the status of the Excellence in Higher Education funds (S.F. 0155.Chapter 18). The change required that funds the State Treasurer had previously sent to the University in 2006 and through 2007 be considered permanent funds of the State of Wyoming and only investment income be remitted to the University. The University returned to the State Treasurer \$36,815,689 of funds received in 2007 and \$4,287,626 of funds received in 2006.

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULE OF NET ASSETS - UNIVERSITY OF WYOMING

June 30, 2007 and 2006

ASSETS	2007	2006
Current Assets		
Cash and cash equivalents	\$ 60,391,103	\$ 32,060,079
Accounts receivable, net	13,297,666	16,998,848
Current portion of pledges receivable, net	301,598	245,296
Receivable from the State of Wyoming	6,609,507	12,612,705
Investments	108,264,338	73,396,153
Investments with Trustee	6,797,115	6,063,631
Interest receivable	158,386	311,489
Current portion of student loans receivable, net	3,892,988	3,964,222
Inventories	5,784,009	4,621,926
Prepaid expenses	1,921,264	1,626,993
<b>Total current assets</b>	<b>207,417,974</b>	<b>151,901,342</b>
Noncurrent Assets		
Restricted cash and cash equivalents	107,256,794	72,446,395
Investments	174,629,434	144,274,149
Prepaid expenses	665,989	730,148
Receivable from State of Wyoming	301,641	606,636
Loans to students, net	16,278,348	15,640,924
Other investments	1,573,411	1,555,311
Capital assets, net of accumulated depreciation	319,702,330	289,837,066
<b>Total noncurrent assets</b>	<b>620,407,947</b>	<b>525,090,629</b>
<b>Total assets</b>	<b>827,825,921</b>	<b>676,991,971</b>
<b>LIABILITIES</b>		
Current Liabilities		
Payroll and related liabilities	17,519,446	18,617,503
Accounts payable and accrued liabilities	13,260,619	9,761,247
Liability under securities lending	6,797,115	6,063,631
Deferred revenue	9,511,646	8,396,275
Deposits held in custody for others	8,118,617	7,375,158
Accrued compensated absences	5,745,591	5,121,174
Other post-employment benefits	745,768	686,854
Current portion of revenue bonds payable	3,382,495	3,222,495
Current portion of capital lease obligations	293,625	277,998
<b>Total current liabilities</b>	<b>65,374,922</b>	<b>59,522,335</b>
Noncurrent Liabilities		
Deposits held in custody for others	5,638,607	7,045,387
Accrued compensated absences	5,745,591	5,121,175
Other post-employment benefits	8,062,806	6,699,287
Revenue bonds payable	43,517,023	46,899,517
Capital lease obligations	1,211,934	1,505,558
U.S. Government loans refundable	6,822,734	6,741,393
<b>Total noncurrent liabilities</b>	<b>70,998,695</b>	<b>74,012,317</b>
<b>Total liabilities</b>	<b>136,373,617</b>	<b>133,534,652</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	276,416,097	251,234,089
Restricted for:		
Nonexpendable	139,793,273	120,448,140
Expendable:		
Scholarships, research, instruction and other	66,255,041	50,612,780
Loans	18,816,030	18,157,339
Capital projects	123,927,666	78,021,300
Unrestricted	66,244,197	24,983,671
<b>Total net assets</b>	<b>\$ 691,452,304</b>	<b>\$ 543,457,319</b>

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
UNIVERSITY OF WYOMING  
Years Ended June 30, 2007 and 2006

	2007	2006
<b>Operating Revenues</b>		
Tuition and fees (net of scholarship allowances 2007 \$14,140,184; 2006 \$13,600,541)	\$ 32,650,449	\$ 30,967,462
Federal appropriations	3,085,291	3,202,162
Federal grants and contracts	43,542,425	41,805,277
State and local grants and contracts	18,644,604	17,232,563
Nongovernmental grants and contracts	6,020,357	4,639,752
Mineral royalty	13,365,000	13,365,000
Sales and services of educational departments	9,455,821	8,902,654
Auxiliary enterprise charges (net of scholarship allowances 2007 \$3,801,183; 2006 \$3,510,743)	33,295,700	31,614,711
Interest earned on loans to students	209,316	177,241
Other operating revenues	2,292,961	2,705,609
<b>Total operating revenues</b>	<b>162,561,924</b>	<b>154,612,431</b>
<b>Operating Expenses</b>		
Instruction	102,476,825	98,072,473
Research	40,859,263	39,390,313
Public service	29,758,445	25,216,147
Academic support	24,887,033	21,685,806
Student services	9,991,265	9,619,093
Institutional support	28,252,046	29,357,715
Operation and maintenance of plant	23,966,329	20,945,258
Scholarships	9,605,372	7,406,888
Auxiliary enterprises	45,991,555	44,856,384
Depreciation	16,785,386	15,676,035
<b>Total operating expenses</b>	<b>332,573,519</b>	<b>312,226,112</b>
<b>Operating (loss)</b>	<b>(170,011,595)</b>	<b>(157,613,681)</b>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	173,982,939	150,212,426
Gifts	21,451,076	12,452,297
Investment income	24,413,040	21,219,234
Interest expense	(2,290,710)	(2,403,582)
Other nonoperating revenues (expenses)	242,267	(550,630)
<b>Net nonoperating revenues</b>	<b>217,798,612</b>	<b>180,929,745</b>
<b>Gain before other revenues, expenses, gains and losses</b>	<b>47,787,017</b>	<b>23,316,064</b>
State Appropriations Restricted for Capital Purposes	91,964,931	2,943,466
Additions to Permanent Endowments	8,243,037	11,244,872
<b>Net increase in net assets</b>	<b>147,994,985</b>	<b>37,504,402</b>
<b>Net Assets</b>		
Beginning of year	543,457,319	505,952,917
End of year	<b>\$ 691,452,304</b>	<b>\$ 543,457,319</b>

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF CASH FLOWS - UNIVERSITY OF WYOMING  
Years Ended June 30, 2007 and 2006

	2007	2006
<b>Cash Flows from Operating Activities</b>		
Tuition, fees and grants received	\$ 167,865,305	\$ 154,286,493
Payments to employees and fringe benefits	(212,466,358)	(205,499,259)
Payments to vendors and suppliers	(91,353,707)	(82,548,722)
Payments for scholarships	(9,605,372)	(7,406,888)
Loans issued to students	(3,961,869)	(4,011,832)
Collection of loans to students	2,734,727	3,081,425
Other receipts	13,923,966	14,420,542
Other payments	(14,420,543)	(17,397,153)
<b>Net cash (used in) operating activities</b>	<b>(147,283,851)</b>	<b>(145,075,394)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	179,986,137	137,909,275
Grants for other than capital purposes	6,236	5,307
Gifts for other than capital purposes	29,516,830	23,704,887
<b>Net cash provided by noncapital financing activities</b>	<b>209,509,203</b>	<b>161,619,469</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(401,302,599)	(339,034,186)
Proceeds from sales and maturities of investments	350,148,095	342,348,302
Interest received on investments	10,479,076	7,431,815
<b>Net cash provided by (used in) investing activities</b>	<b>(40,675,428)</b>	<b>10,745,931</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Cash paid for capital assets	(45,476,258)	(40,417,653)
Proceeds from sale of capital assets	758,916	990,171
Capital appropriations received	92,269,926	2,591,016
Capital grants and gifts received	(169,883)	
Proceeds of capital debt	1,225	46,465
Repayments of capital debt and leases	(3,501,716)	(2,896,944)
Interest paid on capital debt and leases	(2,290,711)	(2,403,582)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>41,591,499</b>	<b>(42,090,527)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>63,141,423</b>	<b>(14,800,521)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	104,506,474	119,306,995
End of year	<b>\$ 167,647,897</b>	<b>\$ 104,506,474</b>

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF CASH FLOWS - UNIVERSITY OF WYOMING

(Continued)

Years Ended June 30, 2007 and 2006

	2007	2006
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	<u>\$ (170,011,595)</u>	<u>\$ (157,613,681)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	16,785,386	15,676,035
Provision for uncollectable loans and write-offs	660,951	512,716
Miscellaneous nonoperating income	85,401	1,065,500
Changes in assets and liabilities:		
Receivables, net	3,643,080	(1,268,919)
Inventories	(1,162,083)	(242,122)
Prepaid expenses	(230,112)	(206,255)
Notes receivable, net	(1,227,142)	(930,408)
Accounts payable and accrued liabilities	2,396,274	323,100
Deferred revenue	1,109,136	480,319
Deposits held in custody for others	(663,321)	(2,485,849)
U.S. Government loans refundable	81,341	(195,130)
Accrued compensated absences	1,248,833	(190,700)
<b>Total adjustments</b>	<u>22,727,744</u>	<u>12,538,287</u>
<b>Net cash (used in) operating activities</b>	<u><u>\$ (147,283,851)</u></u>	<u><u>\$ (145,075,394)</u></u>
Noncash Investing, Capital, and Financing Activities		
Change in fair value of investments	\$ 13,171,445	\$ 12,966,086