

UNIVERSITY OF WYOMING

FINANCIAL REPORT

JUNE 30, 2008

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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, 2008, 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, 2008, 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 \$128,164,061 (13.50% 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 6, 2008 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 6, 2008

University of Wyoming

Management's Discussion and Analysis

For the Year Ended June 30, 2008

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, 2008, with selected comparative information for the year ended June 30, 2007. 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 units, the Cowboy Joe Club and the University of Wyoming Alumni Association. Component unit financial activities are incorporated in the university's financial statements as a whole; discrete presentation is not required. The University of Wyoming Foundation is also reported as a component unit based on the nature and significance of its relationship with the university. Governmental Accounting Standards Board (GASB) Statement No. 39 generally requires reporting as a component unit, an organization that raises and holds economic resources for the direct benefit of the university. The foundation's financial statements are 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, 2008, by \$717.8 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 \$717.8 million in total net assets, 46.7% or \$335 million (net of related debt) is invested in capital assets, 44.3% or \$318 million is restricted as to use (\$136.2 million is nonexpendable – endowments required to be retained in perpetuity – and \$181.8 million is expendable for scholarships, research, instruction, loans or capital projects), while 9% or \$64.8 million is unrestricted and may be used to meet ongoing obligations.

The university's net assets increased by \$26.4 million this fiscal year: a 3.8% 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 24.2% or \$6.4 million of the increase and additions to permanent endowments contribute another 24.2% or \$6.4 million. State appropriations restricted for capital purposes account for 33% or \$8.7 million of the increase and are discussed in detail in the Capital Activity section below. Capital grants and gifts add 18.6% or \$4.9 million. 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 provides a comprehensive, entity-wide perspective of the university's assets, liabilities, net assets, revenues, expenses, changes in net

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

For comparison purposes, the MD&A discusses fiscal years 2007 and 2008. The accompanying financial statements however, contain fiscal year 2008 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 2008, revenues categorized as nonoperating (\$206.1 million) funded 55.5% of the university's regular operating expenses (\$371.3 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, 2008, operating revenues totaled \$173.7 million, operating expenses were \$371.3 million, resulting in a loss from operations of \$197.6 million. Nonoperating revenues totaled \$206.1 million, while nonoperating expenses, consisting primarily of interest expense, totaled \$2.1 million. As a result, income before other revenues (state appropriations restricted for capital purposes and additions to permanent endowments) is \$6.4 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, 2008, scholarships and fellowships totaled \$36 million, of which \$21.7 million represents amounts applied to student accounts, while \$14.3 million was paid directly to students.

Instead of reflecting expenditures for purchases of capital assets, the recognition of **depreciation expense** on capital assets is recorded. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements. For the year ended June 30, 2008, capital assets (net of depreciation) increased by 17.8% or \$56.9 million to a total of \$376.6 million. Depreciation expense totaled \$17.6 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, 2008, was \$10.3 million, an increase of 8.3% or \$.8 million from the 2007 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.

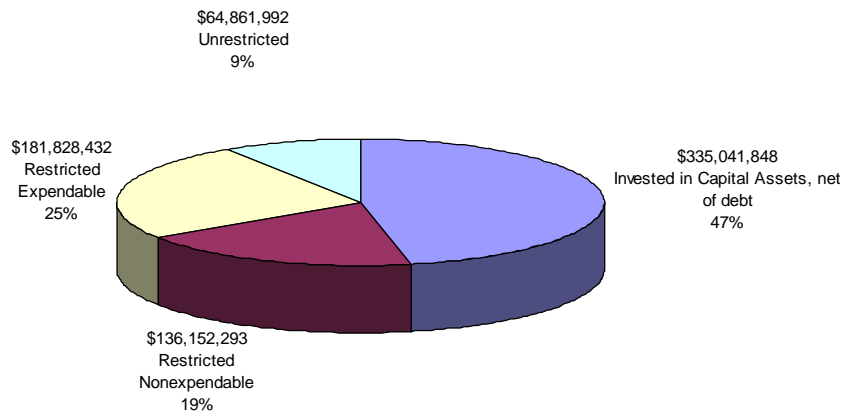
The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received 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, 2007 and 2008, as well as a graphic display of the net asset categories as of June 30, 2008, is presented on the following page.

Statement of Net Assets
(in millions)

	2008	2007
Current assets	\$ 221.6	\$ 207.4
Noncurrent assets:		
Investments	177.0	174.6
Capital assets, net of accumulated depreciation	376.6	319.7
Other assets	78.6	126.1
Total Assets	853.8	827.8
Current liabilities	68.4	65.4
Noncurrent liabilities	67.6	71.0
Total Liabilities	136.0	136.4
Net Assets:		
Invested in capital assets, net of related debt	335.0	276.4
Restricted:		
Nonexpendable	136.2	139.8
Expendable	181.8	209.0
Unrestricted	64.8	66.2
Total Net Assets	\$ 717.8	\$ 691.4

Net Assets - June 30, 2008
\$717,884,565



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 3.1% or \$26 million during fiscal year 2008 to a total of \$853.8 million. In fiscal year 2007, they increased 22.3% or \$150.8 million to \$827.8 million. Total assets include both current assets (generally considered to be convertible to cash within one year) and noncurrent assets. Current assets increased 6.8%, or \$14.2 million between 2007 (\$207.4 million) and 2008 (\$221.6 million), while noncurrent assets increased 2% or \$11.8 million from \$620.4 million to \$632.2 million. Components of this increase are discussed below. See the Net Assets section for additional information.

Cash and Cash Equivalents

Current and restricted cash balances decreased by \$34.6 million from the 2007 level of \$167.6 million to \$133 million at June 30, 2008.

Investments

Contributing to the 2008 total asset increase was a \$4.7 million dollar increase in current and noncurrent investments, bringing total investments to \$294.4 million. Additions to permanent endowments in 2008 totaled \$6.4 million versus \$8.2 million in 2007.

Current investments and cash balances fluctuate, as liquidity needs change throughout the business cycle.

Capital Assets

A significant component of the 2008 total asset increase is a \$56.9 million net increase in capital assets. Buildings and Construction in Progress (CIP) accounted for \$60.4 million of the 2008 increase, while furniture, fixtures, equipment, library materials, infrastructure, land and land improvements account for \$10.1 million. This total increase of \$70.5 million is reduced by net depreciation (new depreciation less depreciation on retired assets) of \$13.6 million, resulting in the 2008 net increase in capital assets of \$56.9 million. Capital Assets, net of accumulated depreciation, total \$376.6 million at June 30, 2008.

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 \$3.4 million in 2008. Other current and noncurrent assets such as inventories and prepaid expenses, increased \$2.4 million in 2008 to complete the \$26 million increase in total assets.

Total Liabilities

Total liabilities are also categorized as current and noncurrent. Total liabilities decreased slightly during fiscal year 2008 from \$136.4 million to \$136 million. In fiscal year 2007, they increased 2.1% or \$2.8 million. University liabilities include payroll and deposit liabilities, accounts payable, deferred revenue, accrued compensated absences (vacation pay), accrued employee 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 4.6% or \$3 million in 2008 to \$68.4 million and 9.8% or \$5.9 million in 2007 to \$65.4 million. Current payroll and related liabilities increased by \$4 million, while accounts payable, 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 decreased by \$1 million.

Noncurrent Liabilities

In 2007, noncurrent liabilities decreased 4% or \$3 million to a total of \$71 million, and in 2008 an additional net decrease of 4.4% or \$3.4 million resulted in total noncurrent liabilities of \$67.6 million. Both annual decreases are mainly attributable to \$3.4 and \$3.5 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 2007, total assets of the University of Wyoming (\$827.8 million) exceeded total liabilities (\$136.4 million) by \$691.4 million, indicating a strong financial position at June 30, 2007. Fiscal year 2008's total assets of \$853.8 million exceed total liabilities of \$136 million by \$717.8 million. The increase in net assets this year of \$26.4 million, together with last year's increase of \$148 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 \$92 million versus \$8.7 million of appropriations restricted for capital purposes in 2007 and 2008, respectively. The budget cycle helps explain why the increase in net assets in 2007 (the first year of the biennium) is so much larger than the increase in 2008.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

One of the university's greatest strengths is its diverse stream of revenue sources, which supplement its student tuition and fees. State appropriations; voluntary private support from individuals, foundations and corporations; government and other sponsored programs; sales, services and auxiliary enterprise revenue; mineral royalties; and investment income, all contribute to the university's ability to keep tuition costs low. Nearly 91% of UW's 2008 total revenue is derived from sources other than student tuition and fees.

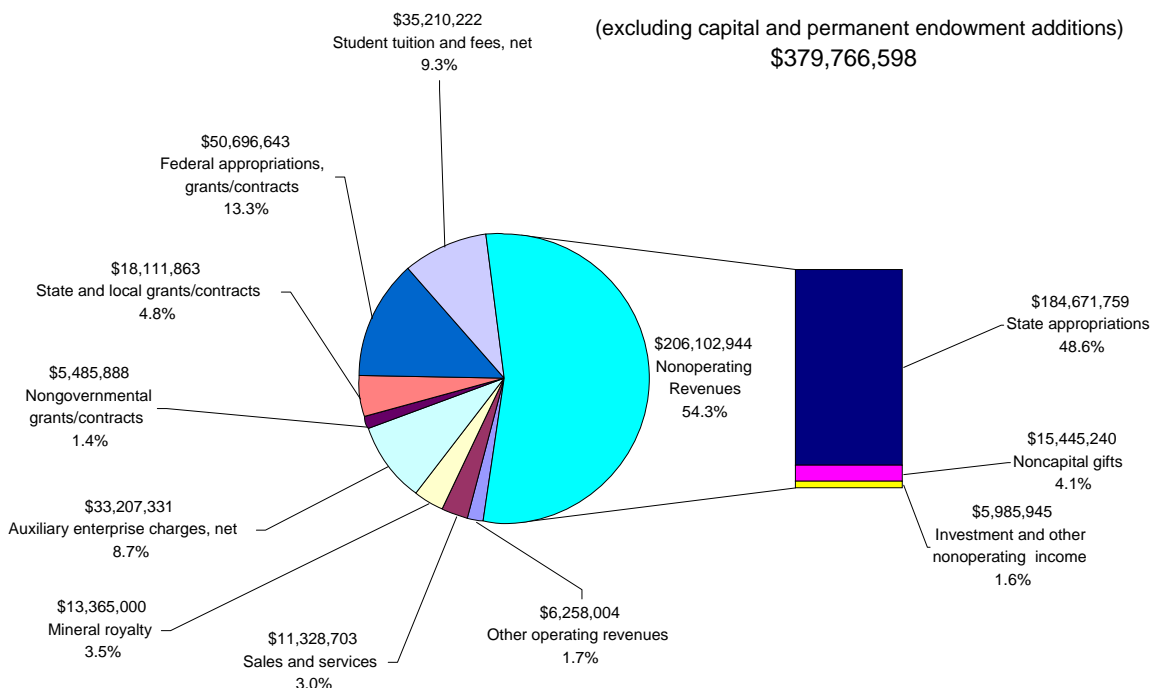
The university will continue to aggressively seek funding from all possible sources consistent with its mission, to supplement student tuition, and to manage prudently the financial resources realized from these efforts to fund operating activities.

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

	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 173.7	\$ 162.5
Operating expenses	(371.3)	(332.5)
Operating income (loss)	(197.6)	(170.0)
Net nonoperating revenues (expenses)	204.0	217.8
Gain (loss) before other revenue, expenses, gains and losses	6.4	47.8
Net other revenue, expenses, gains and losses	20.0	100.2
Increase (Decrease) in Net Assets	26.4	148.0
Net assets - beginning of year	691.4	543.4
Net Assets – End of Year	\$ 717.8	\$ 691.4

Total Revenues - 2008

(excluding capital and permanent endowment additions)
\$379,766,598



The chart above reflects operating and nonoperating revenues; it does not include capital appropriations and capital gifts, additions to permanent endowments or nonoperating expenses. The table below incorporates all of these elements to reflect total resources available to the University of \$397.7 million in 2008. Operating expenses in 2008 totaled \$371.3 million, resulting in the increase in net assets of \$26.4 million. In 2007, total resources were \$480.5 million and operating expenses were \$332.5 million, increasing net assets by \$148 million. For the two-year period, net assets increased 32.1% from \$543.4 million at June 30, 2006 to \$717.8 million at June 30, 2008.

Revenues, Capital Appropriations, and Additions to Permanent Endowments

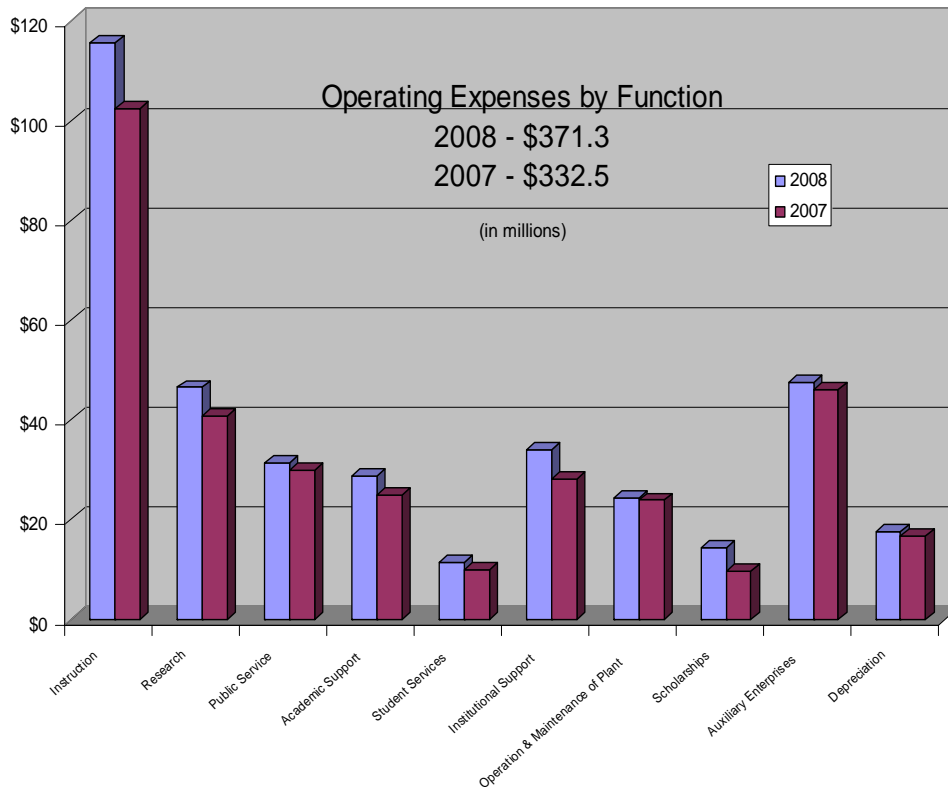
net of nonoperating expenses
(in millions)

	2008	2007
Operating revenues	\$ 173.7	\$ 162.5
Nonoperating revenues	206.1	220.1
Total revenue	379.8	382.6
(excluding capital and permanent endowment additions)		
Nonoperating expenses	(2.1)	(2.3)
Additions to permanent endowments	6.4	8.2
State appropriations restricted for capital purposes	8.7	92.0
Capital grants and gifts	4.9	-
Total Revenues and Additions to Permanent Endowment (net of nonoperating expenses)	\$ 397.7	\$ 480.5

The table below reflects 2007 and 2008 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)

	<u>2008</u>	<u>2007</u>
Compensation and benefits	\$ 241.1	\$ 214.0
Supplies and support services	98.3	92.1
Scholarships	14.3	9.6
Depreciation	17.6	16.8
Total Operating Expenses	\$ 371.3	\$ 332.5



STATEMENT OF CASH FLOWS

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

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

Statement of Cash Flows
(in millions)

	2008	2007
Cash provided by (used in):		
Operating activities	\$ (174.5)	\$ (147.3)
Noncapital financing activities	212.4	209.5
Investing activities	(5.0)	(40.7)
Capital and related financing activities	(67.5)	41.6
Net increase (decrease) in cash	(34.6)	63.1
Cash, beginning of the year	167.6	104.5
Cash, End of the Year	\$ 133.0	\$ 167.6

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 2008, the cash used in operating, investing and capital financing activities exceeded cash provided by non-capital financing activities by \$34.6 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 continues 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 \$56.9 million net increase in capital assets. Building additions and Construction in Progress (CIP) account for \$60.4 million of this increase; other capital asset additions add \$10.1 million and net depreciation of \$13.6 million reduces the increase to \$56.9 million.

Components of the \$60.4 million Buildings and CIP increase include:

- Information Technology Facility – Construction is well underway for the new Information Technology Facility. The 2006 Wyoming State Legislature approved \$34.9 million for construction and, in 2008, \$19.1 million was expended bringing total project expenditures to nearly \$21 million as of June 30, 2008. The scheduled completion date is December 2008.
- Information, Library and Learning Center (IL²C) - The Legislature appropriated \$49.3 million for construction of IL²C, an expansion of the existing Coe Library. Construction began during the summer of 2007 and is scheduled to continue until September 2009. Eighteen point nine million dollars (\$18.9 million) was expended during fiscal year 2008 and total project expenditures as of June 30, 2008 total \$20.9 million. The IL²C is part of a student services complex that includes the Wyoming Union, Half Acre Gymnasium, and possibly a future Student Services Building.
- Intercollegiate Athletics Indoor Practice Facility – The Indoor Practice Facility is substantially complete as \$2.6 million was added to total project costs of \$10.8 million. The 80,000 square foot facility is currently in use and is a welcome addition to the east campus athletics complex.
- College of Business – Groundbreaking ceremonies took place this past summer for a complete renovation of the existing building and an addition of 103,000 square feet adjacent to the existing structure, built in 1960. Scheduled for completion in fall 2010 and expected to cost \$54 million, this project will not only help the college retain its accreditation with the Association for the Advancement of Collegiate Schools of Business, it will provide a modern facility that will allow UW students to prepare themselves for leadership roles in a global economy. Made possible by the extraordinary generosity of the Wyoming State Legislature and championed by the governor, expenditures of \$2 million in 2008 brought the project cost at June 30, 2008 to \$2.9 million.
- University of Wyoming Conference Center – the university purchased the Conference Center from the University of Wyoming Foundation during fiscal year 2008 for \$8.4 million. Together with the Hilton Garden Inn, this development offers unsurpassed luxury accommodations and exceptional hospitality in the heart of the Rocky Mountains.
- Other Building Additions and CIP expenditures of \$10.3 million include additions to academic and administrative buildings, purchases of new property, renovation of the former Kappa Sigma house to serve as a residence hall for the Honors Program, completion of various projects including the Archaeological and Anthropological Resource Facility, Education Annex and Engineering building. Preliminary planning for the Cheney International Center was under way at June 30th, bringing the gross increase in capital assets to a total of \$61.3 million.
- Finally, retirements and impairments of capital facilities of \$.9 million reduce the total Buildings and CIP increase to \$60.4 million.

Over the past two fiscal years, a total of \$100.7 million in state appropriations restricted for capital purposes was received: \$92 million in 2007 and \$8.7 million in 2008. 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)

	2008	2007
Total cost of capital assets	\$ 665.2	\$ 594.7
Less accumulated depreciation	(288.6)	(275.0)
Capital Assets, net of depreciation	\$ 376.6	\$ 319.7

Debt Activity

No new debt was issued during the fiscal year ended June 30, 2008. Total Revenue Bonds Payable at June 30, 2007 equaled \$46.9 million. Normal debt service of \$3.4 million reduced the balance at June 30, 2008 to \$43.5 million.

ECONOMIC OUTLOOK

The University of Wyoming continues to enjoy a strong and stable financial position even as financial markets in the United States and around the world are suffering. As the State of Wyoming's only public four-year institution, UW receives extraordinary support from the governor, the Wyoming Legislature, Wyoming citizens and friends (both individuals and corporations) from across the nation.

While 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, economic uncertainties exist that are likely to affect the University of Wyoming. The effect of the federal government's recent intervention into domestic and international financial markets is yet to be seen; however, the impact will surely be felt by individuals, businesses and government agencies across the United States.

The credit crisis may make student loans more costly as private lenders scale back their lending activity or get out of the student loan business entirely. The federal student loan program will experience increased demand as students' choices become more limited. Congress recently passed the Ensuring Continued Access to Student Loans Act which is designed to reduce borrowers reliance on costlier private loans, give parents more time to begin paying off PLUS loans, and provide the U.S. Secretary of Education with additional tools to safeguard access to student loans. The effect on University of Wyoming students and parents remains to be seen.

Endowment and investment income will certainly decrease in the next fiscal year as market values decline and interest rates fall. External awards in the form of federal, state, and private contracts and grants may decline as well. Private giving may be adversely affected as companies and private investors prioritize their spending in light of declining revenue streams and inflation concerns.

Fortunately, Wyoming's energy-based economy runs contrary to the national economy. At a recent economic forum held in Laramie, an economist from the Federal Reserve Bank of Kansas City said, "Wyoming right now is an island of tranquility." Job growth in Wyoming's defining industries – coal mining, oil and gas extraction, utility construction, machine rental and repair, rail transportation and petroleum/chemical manufacturing - has been very strong in recent years. Oil and gas prices remain high, supporting many energy-related industries and encouraging further exploration and production. Cattle prices remain solid and expected reductions in feed costs bode well for the agricultural segments of the Wyoming economy. Tourism remains steady despite increases in gasoline prices.

Wyoming's housing market has not suffered the steep decline in new home construction and home prices that the United States is experiencing. Wyoming's home foreclosure rate is well below the national rate. Brent Hathaway, Dean of the College of Business, recently commented about Wyoming's economy in the Wyoming Business Report. He wrote that "the collapse of the national housing market was also felt in Wyoming, as house prices slowed in appreciation to low single-digit growth rates, and even began to fall in some areas. Still, the fallout here has so far been mild, and Wyoming house prices have seen the lowest declines or have been among the few areas that have appreciated in the country."

Wyoming's Consensus Revenue Estimating Group (CREG), a state agency, is forecasting modest increases in sales and use tax and mineral severance taxes while smaller increases are predicted in other revenue streams. Investment income at the state level is also forecast to decline considerably in the next fiscal year. The longer-term outlook is mixed however and it is likely that a national economic recovery will take years.

The economic condition and outlook for the State of Wyoming bears directly on the University of Wyoming's outlook, as the state provides a significant portion of the University's total revenue. The university's revenue stream is fairly diverse, with state appropriations accounting for 48.6% of 2008 total revenues, followed by grants and contracts at 19.5%, and net tuition and fees contributing only 9.3%. The university received general fund appropriations of \$175.5 million and \$194.2 million for fiscal years 2008 and 2009 respectively, a 10.6% annual increase. The increase is remarkable given the fact that, in general, state universities are experiencing reductions in state support.

External funding from grants and contracts continues at a record-setting pace of \$78 million this past year. Up from \$72 million last year, this represents the 22nd year in a row that external awards received by UW faculty, research scientists and administrative personnel have increased. The increase exceeds the U.S. inflation rate by nearly 5% and was set against a static federal research and development budget. Bill Gern, Vice President for Research and Economic Development, said recently, "This year's new mark is a considerable achievement accomplished by a truly remarkable faculty. This success is their success."

Private giving to the University of Wyoming also reached historic levels this past fiscal year. The University raised a record-setting \$43 million, the single largest fundraising year in the school's 122-year history. Additionally, a total of \$19.8 million was committed through the State of Wyoming's facility and endowment matching program. The total number of contributors to UW was 24,090 alumni and friends. President Tom Buchanan had this to say, "This kind of support is extraordinary in the history of Wyoming's university. Alumni and friends are stepping forward in record numbers to give to UW. I cannot overstate my gratitude for the incredible generosity of our public and private supporters. Due to this significant achievement, UW is better positioned than ever to be one of the nation's finest public land-grant research universities."

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 well below the average of the 25 Western Undergraduate Exchange (WUE) comparator institutions. Undergraduate in-state tuition has not increased since the 2006-2007 academic when a modest 2.2% increase was authorized. 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.***

UNIVERSITY OF WYOMING

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	University of Wyoming	University of Wyoming Foundation	Reclassifications/ Eliminations	Total
Current Assets				
Cash and cash equivalents (Note 2)	\$ 78,392,470	\$ 554,225	\$ (10,460,105)	\$ 68,486,590
Accounts receivable, net (Note 3)	14,677,985	728,767	(1,064,955)	14,341,797
Current portion of pledges receivable (Note 3)	218,007	11,978,866	-	12,196,873
Receivable from the State of Wyoming	93,705	-	-	93,705
Investments (Note 2)	112,903,683	350,738,429	(125,637,529)	338,004,583
Investments with Trustee (Note 2)	4,455,843	-	-	4,455,843
Interest receivable	143,934	-	-	143,934
Current portion of student loans receivable, net (Note 3)	3,702,967	189,801	(70,815)	3,821,953
Inventories	5,235,384	-	-	5,235,384
Prepaid expenses	1,826,832	-	-	1,826,832
Total current assets	221,650,810	364,190,088	(137,233,404)	448,607,494
Noncurrent Assets				
Restricted cash and cash equivalents (Note 2)	54,637,958	-	-	54,637,958
Investments (Note 2)	177,019,652	348,589	-	177,368,241
Prepaid expenses	601,829	-	-	601,829
Receivable from State of Wyoming	827,067	-	-	827,067
Pledges receivable, net (Note 3)	-	11,512,683	-	11,512,683
Loans to students, net (Note 3)	17,816,139	-	-	17,816,139
Other investments	4,720,377	4,275,397	-	8,995,774
Capital assets, net of accumulated depreciation (Notes 4 and 5)	376,617,052	383,625	(211,781)	376,788,896
Total noncurrent assets	632,240,074	16,520,294	(211,781)	648,548,587
Total assets	853,890,884	380,710,382	(137,445,185)	1,097,156,081
LIABILITIES				
Current Liabilities				
Payroll and related liabilities	21,478,015	-	-	21,478,015
Accounts payable and accrued liabilities	14,736,804	1,692,984	(1,330,187)	15,099,601
Liability under securities lending (Note 2)	4,455,843	-	-	4,455,843
Due to State of Wyoming	6,780	-	-	6,780
Deferred revenue	10,305,142	-	-	10,305,142
Deposits held in custody for others (Note 5)	6,886,548	136,097,634	(136,168,449)	6,815,733
Accrued compensated absences (Note 5)	6,092,592	-	-	6,092,592
Other employee benefits (Notes 5 and 9)	596,493	-	-	596,493
Current portion of revenue bonds payable (Note 5)	3,497,495	115,782	-	3,613,277
Current portion of capital lease obligations (Note 5)	310,166	-	-	310,166
Total current liabilities	68,365,878	137,906,400	(137,498,636)	68,773,642
Noncurrent Liabilities (Note 5)				
Deposits held in custody for others	5,391,308	7,972,234	-	13,363,542
Accrued compensated absences	6,092,592	-	-	6,092,592
Other employee benefits (Note 9)	8,342,330	-	-	8,342,330
Revenue bonds payable	40,019,528	3,620,000	-	43,639,528
Capital lease obligations	901,768	-	-	901,768
U.S. Government loans refundable	6,892,915	-	-	6,892,915
Total noncurrent liabilities	67,640,441	11,592,234	-	79,232,675
Total liabilities	136,006,319	149,498,634	(137,498,636)	148,006,317
NET ASSETS				
Invested in Capital Assets, net of related debt	335,041,848	-	-	335,041,848
Restricted for:				
Nonexpendable	136,152,293	149,043,824	-	285,196,117
Expendable:				
Scholarships, research, instruction and other	86,780,293	65,806,971	-	152,587,264
Loans	19,775,239	-	-	19,775,239
Capital projects (Note 8)	75,272,900	-	-	75,272,900
Unrestricted	64,861,992	16,360,953	53,451	81,276,396
Total net assets	\$ 717,884,565	\$ 231,211,748	\$ 53,451	\$ 949,149,764

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Year Ended June 30, 2008

	University of Wyoming	University of Wyoming Foundation	Reclassifications/ Eliminations	Total
Operating Revenues (Note 11)				
Tuition and fees (net of scholarship allowances \$16,941,647)	\$ 35,210,222	\$ -	\$ -	\$ 35,210,222
Federal appropriations	3,502,598	-	-	3,502,598
Federal grants and contracts	47,194,045	-	-	47,194,045
State and local grants and contracts	18,111,863	-	-	18,111,863
Nongovernmental grants and contracts	5,485,888	-	-	5,485,888
Mineral royalty	13,365,000	-	-	13,365,000
Sales and services of educational departments	11,328,703	-	-	11,328,703
Auxiliary enterprise charges (net of scholarship allowances \$4,719,843)	33,207,331	-	-	33,207,331
Interest earned on loans to students	180,510	-	-	180,510
Investment income	-	9,912,296	(9,912,296)	-
Contributions	-	12,892,089	-	12,892,089
Other operating revenues	6,077,494	2,281,673	(3,209,860)	5,149,307
Total operating revenues	173,663,654	25,086,058	(13,122,156)	185,627,556
Operating Expenses (Note 10)				
Instruction	115,513,356	3,529,842	(2,235,305)	116,807,893
Research	46,535,449	469,303	(438,571)	46,566,181
Public service	31,286,250	379,630	(371,683)	31,294,197
Academic support	28,844,766	2,088,229	(1,207,321)	29,725,674
Student services	11,470,010	130,831	(121,005)	11,479,836
Institutional support	33,869,719	20,214,671	(18,326,245)	35,758,145
Operation and maintenance of plant	24,372,863	3,207,154	(2,939,968)	24,640,049
Scholarships	14,277,240	3,908,016	(2,686,967)	15,498,289
Auxiliary enterprises	47,528,701	130,322	(104,737)	47,554,286
Depreciation	17,568,564	46,792	(57,703)	17,557,653
Total operating expenses	371,266,918	34,104,790	(28,489,505)	376,882,203
Operating income (loss)	(197,603,264)	(9,018,732)	15,367,349	(191,254,647)
Nonoperating Revenues (Expenses)				
State appropriations	184,671,759	-	-	184,671,759
Gifts	15,445,240	-	(12,546,771)	2,898,469
Investment income	5,175,737	-	(2,497,643)	2,678,094
Interest expense	(2,158,619)	-	-	(2,158,619)
Other nonoperating	810,208	-	(269,484)	540,724
Net nonoperating revenues	203,944,325	-	(15,313,898)	188,630,427
Gain (loss) before other revenues, expenses, gains and losses	6,341,061	(9,018,732)	53,451	(2,624,220)
State Appropriations Restricted for Capital Purposes	8,734,470	-	-	8,734,470
Capital Grants and Gifts	4,938,000	-	-	4,938,000
Additions to Permanent Endowments (Note 12)	6,418,730	18,780,458	-	25,199,188
Net increase in net assets	26,432,261	9,761,726	53,451	36,247,438
Net Assets				
Beginning of year	691,452,304	221,450,022	-	912,902,326
End of year	\$ 717,884,565	\$ 231,211,748	\$ 53,451	\$ 949,149,764

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

Cash Flows from Operating Activities	
Tuition, fees and grants received	\$ 174,396,018
Payments to employees and fringe benefits	(236,345,356)
Payments to vendors and suppliers	(96,028,392)
Payments for scholarships	(14,277,241)
Loans issued to students	(4,287,200)
Collection of loans to students	2,356,578
Other receipts	13,408,552
Other payments	(13,757,224)
Net cash (used in) operating activities	<u>(174,534,265)</u>
 Cash Flows from Noncapital Financing Activities	
State appropriations	191,187,560
Grants for other than capital purposes	6,276
Gifts for other than capital purposes	21,212,202
Net cash provided by noncapital financing activities	<u>212,406,038</u>
 Cash Flows from Investing Activities	
Purchases of investments	(367,801,091)
Proceeds from sales and maturities of investments	346,647,094
Interest received on investments	16,167,658
Net cash (used in) investing activities	<u>(4,986,339)</u>
 Cash Flows from Capital and Related Financing Activities	
Cash paid for capital assets	(70,171,561)
Proceeds from sale of capital assets	294,352
Capital appropriations received	8,209,045
Proceeds of capital debt	1,225
Repayments of capital debt and leases	(3,677,345)
Interest paid on capital debt and leases	(2,158,619)
Net cash (used in) capital and related financing activities	<u>(67,502,903)</u>
 Net (decrease) in cash and cash equivalents	(34,617,469)
 Cash and Cash Equivalents	
Beginning of year	<u>167,647,897</u>
 End of year	<u>\$ 133,030,428</u>

UNIVERSITY OF WYOMING

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2008

Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities	
Operating (loss)	<u>\$ (197,603,264)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation expense	17,568,564
Provision for uncollectable loans and write-offs	582,852
Miscellaneous nonoperating income	1,060,514
Changes in assets and liabilities:	
Receivables, net	(775,207)
Inventories	548,625
Prepaid expenses	158,592
Notes receivable, net	(1,930,622)
Accounts payable and accrued liabilities	5,776,867
Due to State of Wyoming	6,780
Deferred revenue	787,219
Deposits held in custody for others	(1,479,368)
U.S. Government grants refundable	70,181
Accrued compensated absences	694,002
Total adjustments	<u>23,068,999</u>
Net cash (used in) operating activities	<u><u>\$ (174,534,265)</u></u>
Noncash Investing, Capital, and Financing Activities	
Change in fair value of investments	\$ (12,276,332)
Assets acquired through gift	4,938,000

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

As defined by accounting principles generally accepted in the United States of America established by GASB, the financial reporting entity consists of the primary government, as well as its component unit, the University of Wyoming Foundation (the “Foundation”). The Foundation is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The 36-member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University financial statements.

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

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

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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

The Alumni Association is a component unit of the University because they share common management and financial dependence. Although it is a legally separate organization, it is reported as a blended component unit of the University.

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

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

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

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

The Foundation accounts for its investments 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 uncollectible amounts.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

The University evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The University will consider an asset impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The University will recognize an impairment loss when the University considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value. During the current year, the University recognized \$225,567 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.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Securities lending collateral: Securities on loan for cash collateral are reported in the statement of net assets. Liabilities resulting from the security lending transactions are also reported. Additional disclosures describing security-lending transactions are provided in Note 2.

Note 2. Deposits with Financial Institutions and Investments

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Deposits:

At June 30, 2008, the carrying amount of the University's demand deposits in financial institutions was \$38,291,252 and the bank balances were \$42,481,847. 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, 2008, the University had \$84,279,071 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, 2008, the University had \$10,460,105 on deposit with the Foundation. Detailed information on the Foundation's pooled cash and investments is available from the Foundation.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Investments:

As of June 30, 2008, the University had investments with weighted average maturities as shown in the following table.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
U.S. Government Sponsored			
Enterprise Discount Notes	\$ 134,744,353	\$ 134,787,950	.35
Certificate of Deposit	2,400,000	2,400,000	.26
Mutual Funds	6,707,909	7,146,108	n/a
	<u>\$ 143,852,262</u>	<u>\$ 144,334,058</u>	

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Rating</u>
U.S. Government Sponsored		AAA
Enterprise Discount Notes	<u>\$ 134,787,950</u>	<u>\$ 134,787,950</u>

Custodial credit risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the 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, 2008, the University held securities from the following issuers in excess of 5% of the total portfolio: Federal Home Loan Bank 14.47%, Federal Home Loan Mortgage Corporation 9.72% and Federal National Mortgage Corporation 21.40%.

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NOTES TO FINANCIAL STATEMENTS

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, 2008, 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	\$ 78,036	\$ 85,236	n/a
Real assets	6,193,344	7,393,321	n/a
Private equity	12,727,101	14,970,297	n/a
Absolute return	12,697,483	19,609,139	n/a
Fixed income	7,999,606	11,246,552	8.29
Hedged equity	10,092,829	15,514,810	n/a
International equity	14,437,018	20,386,935	n/a
Domestic equity	25,880,698	36,431,239	n/a
	<u>\$ 90,106,115</u>	<u>\$ 125,637,529</u>	

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

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

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

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

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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, 2008, 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, 2008 are as follows:

	Carrying Value	Market Value
Money Market Funds	\$ 15,244,751	\$ 15,242,378
Corporate Stocks	115,035,986	148,523,908
Corporate Bonds and Notes	60,503,607	59,499,844
Alternative Investments	99,185,087	125,155,164
Real Estate	4,275,397	4,275,397
Government Obligations	2,317,135	2,317,135
Cash Value of Life Insurance Policies	264,077	264,077
Other Investments	79,205	84,512
	<u>\$ 296,905,245</u>	<u>\$ 355,362,415</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, 2008, the alternative investments held by the Foundation were \$125,155,164.

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.

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NOTES TO FINANCIAL STATEMENTS

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.

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NOTES TO FINANCIAL STATEMENTS

The University investments held by the State Treasurer's Office at June 30, 2008 are presented as follows:

Investment Type	Fair Value	Percentage
Fixed income:		
Asset Based Securities	\$ 563,305	2.52%
Certificate of Deposit	311	0.00%
CMO/REMIC	595,216	2.66%
Commercial Paper	518,670	2.32%
Corporate Bonds	1,563,741	7.00%
Discounted Notes	67,739	0.30%
Foreign Government Agencies	4,667	0.02%
Government Bond Sovereign Debt	161,794	0.72%
International Authority	5,927	0.03%
Money Markets	8,333	0.04%
Mortgage Backed Securities	4,127,805	18.47%
Municipal Bonds	21,252	0.10%
Repurchase Agreement Pools	325,087	1.45%
Step Ups Corporate Bonds	636	0.00%
Step Ups Government Bond Sovereign Debt	1,473	0.01%
U.S. Government Agencies	8,134	0.03%
U.S. Treasury Securities	433,266	1.94%
Total fixed income investments	8,407,356	37.61%
Equities:		
Domestic Equities	6,695,044	29.94%
Foreign Equities	3,403,764	15.23%
Foreign Spot/Forward Currency Contracts	(97,250)	-0.43%
Mutual Fund	419,712	1.88%
U.S. Dollar Denominated Foreign Equities	342,936	1.53%
U.S. Dollar Denominated Forward Currency Contracts	102,369	0.46%
Total equity investments	10,866,575	48.61%
Alternative investments:		
Absolute Return	818,747	3.66%
Foreign Fixed Forward Currency Contracts	5,117	0.02%
Foreign Futures/Swaps	(30,703)	-0.14%
Futures/Swaps	(25,586)	-0.11%
Options	(5,117)	-0.02%
Private Equity	1,069,489	4.78%
Real Estate	1,182,067	5.29%
U.S. Dollar Forward Currency Contracts	(5,117)	-0.02%
Total alternative investments	3,008,897	13.46%
Currency:		
Currency	5,110	0.02%
Foreign Currency	66,424	0.30%
Total currency	71,534	0.32%
Total investments	\$ 22,354,362	100.00%

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Credit risk: The credit risk disclosures for the University's portion of the State's fixed income investments are presented as follows:

Category	Credit Rating	Market Value	% of Total Investments
Asset Backed Securities	AAA	\$ 508,364	6.047%
Asset Backed Securities	AA	23,761	0.283%
Asset Backed Securities	A	6,400	0.076%
Asset Backed Securities	BBB	10,159	0.121%
Asset Backed Securities	BB	5,074	0.060%
Asset Backed Securities	B	1,997	0.024%
Asset Backed Securities	CCC	104	0.001%
Asset Backed Securities	NR	7,446	0.089%
Certificate of Deposit	AA	159	0.002%
Certificate of Deposit	NR	152	0.002%
CMO / Remic - FHLB	AAA	129	0.002%
CMO / Remic - FHLMC	AAA	75,887	0.903%
CMO / Remic - FNMA	AAA	51,144	0.608%
CMO / Remic - GNMA	AAA	1,140	0.014%
CMO / Remic - Commercial	AAA	441,738	5.254%
CMO / Remic - Commercial	AA	12,013	0.143%
CMO / Remic - Commercial	A	8,926	0.106%
CMO / Remic - Commercial	BBB	1,060	0.013%
CMO / Remic - Commercial	BB	130	0.002%
CMO / Remic - Commercial	NR	3,047	0.036%
Commercial Paper	NR	518,670	6.169%
Corporate Bonds	AAA	61,768	0.735%
Corporate Bonds	AA	260,167	3.095%
Corporate Bonds	A	476,351	5.666%
Corporate Bonds	BBB	583,886	6.945%
Corporate Bonds	BB	87,019	1.035%
Corporate Bonds	B	42,388	0.504%
Corporate Bonds	CCC	9,011	0.107%
Corporate Bonds	C	1,399	0.017%
Corporate Bonds	NR	41,754	0.497%
Discount Notes FHLB	AAA	63,523	0.756%
Discount Notes FHLMC	AAA	185	0.002%
Discount Notes FNMA	AAA	4,031	0.048%
FFCB	AAA	1,230	0.015%
FHLB	AAA	2,730	0.032%
FHLMC	AAA	2,023	0.024%
FNMA	AAA	2,151	0.026%
Foreign Government Agencies	AAA	4,213	0.050%
Foreign Government Agencies	AA	454	0.005%
Government Bonds Sovereign Debt	AAA	40,945	0.487%
Government Bonds Sovereign Debt	AA	14,627	0.174%
Government Bonds Sovereign Debt	A	11,528	0.137%
Government Bonds Sovereign Debt	BBB	35,968	0.428%
Government Bonds Sovereign Debt	BB	30,654	0.365%
Government Bonds Sovereign Debt	B	15,307	0.182%
Government Bonds Sovereign Debt	NR	12,765	0.152%
International Authority	AAA	634	0.008%

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NOTES TO FINANCIAL STATEMENTS

Category	Credit Rating	Market Value	% of Total Investments
International Authority	A	\$ 4,603	0.055%
International Authority	BB	690	0.008%
Money Markets	NR	8,333	0.099%
Mortgage Backed Securities FHLMC	AAA	849,812	10.108%
Mortgage Backed Securities FNMA	AAA	3,000,662	35.691%
Mortgage Backed Securities GNMA	AAA	187,787	2.234%
Mortgage Backed Securities Commercial	AAA	72,790	0.866%
Mortgage Backed Securities Commercial	NR	16,754	0.199%
Municipal Bonds	AAA	606	0.007%
Municipal Bonds	BBB	2,304	0.027%
Municipal Bonds	NR	18,342	0.218%
Repurchase Agreement Pools	NR	325,087	3.867%
Step Ups Corporate Bonds	BBB	636	0.008%
Step Ups Government Bond Sovereign Debt	BBB	1,473	0.018%
U.S. Treasury Bills	AAA	21,558	0.256%
U.S. Treasury Bonds	AAA	84,217	1.002%
U.S. Treasury Notes	AAA	327,491	3.895%
		<u>\$ 8,407,356</u>	<u>100.000%</u>

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

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.

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NOTES TO FINANCIAL STATEMENTS

Category	Market	Less Than 1 Year	1 - 5 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ 563,305	\$ 188,122	\$ 330,822	\$ 35,257	\$ 9,104
Certificate of Deposit	311	311	-	-	-
CMO / Remic - FHLB	129	129	-	-	-
CMO / Remic - FHLMC	75,887	2,063	50,769	13,922	9,133
CMO / Remic - FNMA	51,144	15,465	23,171	5,256	7,252
CMO / Remic - GNMA	1,140	-	1,140	-	-
CMO / Remic - Commercial	466,914	36,728	253,956	168,585	7,645
Commercial Paper	518,670	518,670	-	-	-
Corporate Bonds	1,563,743	90,078	477,393	544,059	452,213
Discount Notes FHLB	63,523	63,523	-	-	-
Discount Notes FHLMC	185	185	-	-	-
Discount Notes FNMA	4,031	4,031	-	-	-
FFCB	1,230	-	-	1,230	-
FHLB	2,730	-	458	-	2,272
FHLMC	2,023	-	1,493	-	530
FNMA	2,151	-	2,151	-	-
Foreign Government Agencies	4,667	454	4,213	-	-
Government Bonds Sovereign Debt	161,794	9,330	22,830	68,955	60,679
International Authority	5,927	634	1,355	3,938	-
Money Markets	8,333	8,333	-	-	-
Mortgage Backed Securities FHLMC	849,812	-	93,203	698,187	58,422
Mortgage Backed Securities FNMA	3,000,662	2,478	818,095	2,099,944	80,145
Mortgage Backed Securities GNMA	187,787	-	73,397	114,390	-
Mortgage Backed Securities Commercial	89,544	895	8,187	80,462	-
Municipal Bonds	21,252	534	606	7,317	12,795
Repurchase Agreement Pools	325,087	325,087	-	-	-
Step Ups Corporate Bonds	636	-	636	-	-
Step Ups Government Bond					
Sovereign Debt	1,473	-	-	1,473	-
U.S. Treasury Bills	21,558	21,558	-	-	-
U.S. Treasury Bonds	84,217	-	-	-	84,217
U.S. Treasury Notes	327,491	660	276,409	50,422	-
	<u>\$ 8,407,356</u>	<u>\$ 1,289,268</u>	<u>\$ 2,440,284</u>	<u>\$ 3,893,397</u>	<u>\$ 784,407</u>

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

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

Securities Lent	Fair Value Underlying Securities	Cash Collateral Received/ Securities Collateral Value
Lent for cash collateral:		
U.S. Governments	\$ 248,100	\$ 290,893
U.S. Government Agencies	2,516,109	2,581,113
Corporate Securities	89,291	91,494
Equities	1,440,699	1,492,343
Total lent for cash collateral	4,294,199	4,455,843
Lent for securities collateral:		
Equities	4,252	4,378
U.S. Governments	149,112	152,094
U.S. Government Agencies	1,449	1,478
Total lent for bulk (securities) collateral	154,813	157,950
Total securities lending	\$ 4,449,012	\$ 4,613,793

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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	\$ 391,550	8.787%
Certificate of Deposit	AA	224,217	5.032%
CMO / Remic - Commercial	AAA	618,994	13.892%
Commercial Paper	D	34,490	0.774%
Commercial Paper	NR	94,025	2.110%
Master Notes	AA	201,795	4.529%
Master Notes	A	86,237	1.935%
Master Notes	NR	174,199	3.909%
Medium Term Notes	AAA	34,495	0.774%
Medium Term Notes	AA	120,732	2.710%
Medium Term Notes	A	288,762	6.481%
Medium Term Notes	BBB	156,952	3.522%
Medium Term Notes	D	74,130	1.664%
Medium Term Notes	NR	244,778	5.493%
Money Market	AAA	1,210	0.027%
Repurchase Agreement Pools	NR	1,654,086	37.122%
Senior Note	AAA	55,191	1.239%
		<u>\$ 4,455,843</u>	<u>100.00%</u>

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
Asset Backed Securities	\$ 391,550	\$ 81,065	\$ 310,485
CMO / Remic - Commercial	618,994	295,101	323,893
Commercial Paper	128,514	51,443	77,071
Certificate of Deposit	224,217	94,861	129,356
Master Notes	462,231	174,199	288,032
Medium Term Notes	919,849	580,210	339,639
Money Market	1,210	1,210	-
Repurchase Agreement Pools	1,654,086	1,654,086	-
Senior Note	55,192	55,192	-
	<u>\$ 4,455,843</u>	<u>\$ 2,987,367</u>	<u>\$ 1,468,476</u>

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NOTES TO FINANCIAL STATEMENTS

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the University's investments have likely incurred a significant decline in fair value since June 30, 2008.

Note 3. Loans, Accounts Receivable and Pledges Receivable

Loans receivable: Approximately 63% of the University's loans receivable are loans made under medical, dental and nursing school contracts. These are loans made to students for the completion of medical, dental and nursing schools and contain special clauses regarding repayment. The standard repayment terms under the medical, dental and psychiatric nursing school contracts are as follows:

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

Medical contracts for the 1993-1994 school year through the 2003-2004 school year: Payments consist of 96 equal monthly installments with interest accruing at an annual rate equal to the effective interest rate for Federal Stafford loans, with a maximum of 8% starting four years after the student enters into an agreement. If any scheduled payment is missed, the interest accrues at the maximum rate allowed by law.

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

Medical contracts for the 2004-2005 school year and thereafter and Dental contracts for the 2007-2008 school year and thereafter: Payments consist of 96 equal monthly installments with interest accruing at an annual rate equal to the effective interest rate for Federal Stafford loans, with a maximum of 8% beginning the earlier of completion of the residency program or eight years after the student enters into an agreement. If any scheduled payment is missed, the interest accrues at the maximum rate allowed by law.

The outstanding balance of loans made under medical and dental school contracts is canceled upon practicing full-time medicine or dentistry in the State of Wyoming. The balance is canceled at a rate of one-third outstanding balance for the first year, one-half of the outstanding balance the second year and the remaining balance for the third year of practicing full-time medicine or dentistry in the State of Wyoming.

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

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

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

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

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

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

Accounts receivable and pledges receivable: The University accounts receivable and pledges receivable are shown net of allowances for doubtful accounts in the accompanying statement of net assets at June 30, 2008 as follows:

	Accounts Receivable	Pledges Receivable
Total receivable	\$ 15,418,978	\$ 316,198
Less allowance for doubtful accounts	(740,993)	(98,191)
Net receivable	<u>\$ 14,677,985</u>	<u>\$ 218,007</u>

Included in the amounts above is \$5,416,504, which is due from the U.S. Government at June 30, 2008.

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, 2008:

Due within 1 year	\$ 11,978,866
Due 1 to 5 years	12,227,274
Due 5 years and later	1,664,360
	<u>25,870,500</u>
Less allowance for uncollectible pledges	1,186,056
Less discount to present value	1,192,895
Total pledges receivable	<u><u>\$ 23,491,549</u></u>

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NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:					
Land	\$ 5,989,574	\$ 1,378,233	\$ -	\$ -	\$ 7,367,807
Land improvements	2,475,439	-	-	-	2,475,439
Construction in progress	32,324,288	52,391,161	(17,697,671)	-	67,017,778
Total capital assets not being depreciated	\$ 40,789,301	\$ 53,769,394	\$ (17,697,671)	\$ -	\$ 76,861,024
Other capital assets:					
Infrastructure	\$ 12,378,850	\$ -	\$ -	\$ -	\$ 12,378,850
Land improvements	9,820,767	204,341	1,193,595	-	11,218,703
Buildings	379,997,689	10,407,067	16,252,036	(897,865)	405,758,927
Furniture, fixtures and equipment	85,359,170	8,172,500	252,040	(3,500,118)	90,283,592
Library materials	66,415,593	2,344,395	-	-	68,759,988
Total other capital assets	553,972,069	21,128,303	17,697,671	(4,397,983)	588,400,060
Less accumulated depreciation for:					
Infrastructure	(10,080,310)	(183,854)	-	-	(10,264,164)
Land improvements	(3,622,537)	(519,792)	-	-	(4,142,329)
Buildings	(141,584,613)	(7,860,480)	-	672,298	(148,772,795)
Furniture, fixtures and equipment	(63,736,448)	(6,549,979)	-	3,311,274	(66,975,153)
Library materials	(56,035,132)	(2,454,459)	-	-	(58,489,591)
Total accumulated depreciation	(275,059,040)	(17,568,564)	-	3,983,572	(288,644,032)
Other capital assets, net	\$ 278,913,029	\$ 3,559,739	\$ 17,697,671	\$ (414,411)	\$ 299,756,028
Capital asset summary:					
Capital assets not being depreciated	\$ 40,789,301	\$ 53,769,394	\$ (17,697,671)	\$ -	\$ 76,861,024
Other capital assets, at cost	553,972,069	21,128,303	17,697,671	(4,397,983)	588,400,060
Total cost of capital assets	594,761,370	74,897,697	-	(4,397,983)	665,261,084
Less accumulated depreciation	(275,059,040)	(17,568,564)	-	3,983,572	(288,644,032)
Capital assets, net	\$ 319,702,330	\$ 57,329,133	\$ -	\$ (414,411)	\$ 376,617,052

During the year ended June 30, 2008, the College of Business building renovation and addition began. The plan included the razing of part of the building. As a result, an impairment loss of \$225,567 was recognized in fiscal year 2008 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, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Bonds and capital lease obligations:					
Revenue bonds payable	\$ 46,899,518	\$ 1,225	\$ 3,383,720	\$ 43,517,023	\$ 3,497,495
Capital lease obligations	1,505,559	-	293,625	1,211,934	310,166
Total bonds and capital leases	48,405,077	1,225	3,677,345	44,728,957	3,807,661
Other liabilities:					
Accrued compensated absences	11,491,182	7,594,376	6,900,374	12,185,184	6,092,592
Deposits held in custody for others	13,757,224	-	1,479,368	12,277,856	6,886,548
Other employee benefits	8,808,574	736,517	606,268	8,938,823	596,493
U.S. Government loans refundable	6,822,734	70,181	-	6,892,915	-
Total other liabilities	40,879,714	8,401,074	8,986,010	40,294,778	13,575,633
Total long-term liabilities	\$ 89,284,791	\$ 8,402,299	\$ 12,663,355	\$ 85,023,735	\$ 17,383,294

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 Bonds Series 2004, and the Facilities Improvement Revenue Bonds Series 2005.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Revenue bonds payable consist of the following at June 30, 2008:

	Authorized and Issued	Interest Rates	Bonds Outstanding at June 30, 2008
Facilities Improvement and Refunding Revenue Bonds: Series 1999	18,760,000	5.05-5.5%	8,490,000
Facilities Improvement Revenue Bonds: Series 2001	9,120,000	4.25-5.5%	6,855,000
Facilities Refunding Revenue Bonds: Series 2003	4,340,000	3.25-3.5%	2,755,000
Facilities Improvement Revenue Bonds: Series 2004	11,100,000	3.75-5.0%	10,235,000
Facilities Improvement Revenue Bonds: Series 2005	<u>16,000,000</u>	3.25-5.0%	<u>14,390,000</u>
	<u>59,320,000</u>		42,725,000
Original issue discount/premium			<u>792,023</u>
			<u>43,517,023</u>

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

	Principal	Interest
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	2,460,000	1,559,486
2014-2018	14,240,000	5,872,129
2019-2023	11,235,000	2,326,280
2024-2025	<u>3,225,000</u>	<u>221,250</u>
	<u>\$ 42,725,000</u>	<u>\$ 17,388,535</u>

The University leases an airplane under a capital lease. The asset and related liability were recorded at the present value of the future payments due under the lease as determined using a 4.5% interest rate. The University is leasing scoreboards for the football and basketball venues. The assets and related liabilities were recorded at the present value of the future payments due under the lease as determined using a 5.75% interest rate. The University is also leasing other physical plant equipment under capital lease agreements. The assets and related liabilities of the other equipment were recorded at the present value of future payments due under the lease as determined using a 10.8% interest rate.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

The following is a schedule of future minimum lease payments due under the capital leases, together with the net present value of the minimum lease payments, as of June 30, 2008:

	Airplane	Scoreboards	Other Equipment	Total
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	135,907	-	-	135,907
2014-2015	294,481	-	-	294,481
Total minimum lease payments	974,016	376,471	26,622	1,377,109
Less amount representing interest	(142,785)	(19,125)	(3,265)	(165,175)
Net present value of minimum lease payments	\$ 831,231	\$ 357,346	\$ 23,357	\$ 1,211,934

The cost of assets acquired under capital lease is \$3,172,348. Accumulated amortization as of June 30, 2008 is \$3,164,808. Amortization of leased assets is included in depreciation expense.

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

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

The debt service requirements for the Bonds are as follows:

Year	Principal Due November 1	Interest	Interest Rate	Annual Debt Service
2008	\$ 80,000	\$ 210,924	5.10%	\$ 290,924
2009	75,000	215,379	5.15%	290,379
2010	80,000	211,516	5.25%	291,516
2011	80,000	207,316	5.30%	287,316
2012	85,000	203,076	5.40%	288,076
2013-2017	510,000	939,579	5.45% to 5.72%	1,449,579
2018-2022	670,000	775,492	5.79% to 5.95%	1,445,492
2023-2027	2,120,000	547,350	6.15%	2,667,350
	<u>\$ 3,700,000</u>	<u>\$ 3,310,632</u>		<u>\$ 7,010,632</u>

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

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

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

Note 6. Risk Management

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

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

Following is a reconciliation of the unpaid claims liability for the years ended June 30, 2008 and 2007:

	2008	2007
Unpaid claims, beginning of fiscal year	\$ 750,000	\$ 750,000
Claims incurred	598,454	515,663
Claims paid	(598,454)	(515,663)
Unpaid claims liability, end of fiscal year	<u>\$ 750,000</u>	<u>\$ 750,000</u>

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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 \$489 per month for a single participant, \$969 for a participant plus his/her spouse or children, \$1,107 per participating family or \$554 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 2008 were \$1,795,271.

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 2008 and 2007 are as follows for the University's participation in the Unemployment Compensation Act program:

	<u>2008</u>	<u>2007</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Claims incurred	141,977	133,846
Claims paid	(141,977)	(133,846)
Unpaid claims liability, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

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.

UNIVERSITY OF WYOMING

NOTES TO 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 \$217,470,000. As of June 30, 2008, the remaining commitment to complete these projects totaled approximately \$153,962,000. 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.

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, 2006, 2007 and 2008, the University's contributions to the WRS were \$5,404,660, \$5,596,376 and \$5,999,462, 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, 2006, 2007 and 2008 were \$9,793,324, \$10,426,390 and \$11,591,015, respectively.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

The University has an additional 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 \$489 a month for individuals, \$969 a month for employee and spouse, and \$1,107 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 88 employees that have elected board retirement and are participating in the plan as of June 30, 2008. The total amount charged to expense during the year ended June 30, 2008 was \$(223,063). The total accrued liability at June 30, 2008 is \$7,638,944.

Effective June 7, 2007, the policy was changed such that any employee who retires (begins drawing retirement payments) 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. There is one employee that has elected to receive this benefit and is participating in the plan as of June 30, 2008. The total amount charged to expense during the year ended June 30, 2008 was \$361,154, which is also the total accrued liability at June 30, 2008.

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 517 employees that have elected board retirement and are participating in the plan as of June 30, 2008. The total amount charged to expense during the year ended June 30, 2008 was \$(3,484). The total accrued liability at June 30, 2008 is \$938,725.

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	\$ 101,983,761	\$ 13,529,595	\$ -	\$ -	\$ 115,513,356
Research	32,391,128	14,144,321	-	-	46,535,449
Public service	22,068,287	9,217,963	-	-	31,286,250
Academic support	17,446,476	11,398,290	-	-	28,844,766
Student services	8,248,412	3,221,598	-	-	11,470,010
Institutional support	24,517,471	9,352,248	-	-	33,869,719
Operation of plant	11,504,162	12,868,701	-	-	24,372,863
Scholarships	-	-	-	14,277,240	14,277,240
Auxiliary enterprises	22,961,653	24,567,048	-	-	47,528,701
Depreciation	-	-	17,568,564	-	17,568,564
Total expenses	\$ 241,121,350	\$ 98,299,764	\$ 17,568,564	\$ 14,277,240	\$ 371,266,918

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	\$ 30,709,004
Noncurrent assets	1,670,209
Total assets	\$ 32,379,213

Liabilities:

Current liabilities	\$ 3,911,738
Noncurrent liabilities	694,225
Total liabilities	\$ 4,605,963

Net assets:

Invested in equipment	\$ 1,004,220
Restricted for maintenance required by bond resolution	500,000
Restricted for capital projects	2,957,731
Unrestricted	23,311,299
Total net assets	\$ 27,773,250

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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

Operating revenues:

Sales	\$ 17,862,197
Rents and fees	16,464,230
Nonenterprise revenue	14,265,000
Miscellaneous	292,812
Total operating revenues	<u>48,884,239</u>

Operating expenses:

Operating expenses	28,336,603
Depreciation	370,601
Total operating expenses	<u>28,707,204</u>

Operating income 20,177,035

Nonoperating revenues, investment income 7,377,145

Nonoperating expenses and other items:

Interest on indebtedness	2,242,779
Retirement of indebtedness	3,315,000
Expanded for plant facilities	3,933,353
Mandatory transfers	(1,077,121)
Nonmandatory transfers	16,188,255
Total nonoperating expenses and other items	<u>24,602,266</u>

Increase in net assets 2,951,914

Net assets, beginning of year 24,821,336

Net assets, end of year \$ 27,773,250

Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 20,358,174
Net cash (used in) capital financing activities	(13,541,746)
Net cash (used in) noncapital financing activities	(15,111,134)
Net cash provided by investing activities	7,376,928
Net (decrease) in cash	<u>(917,778)</u>

Cash and cash equivalents, beginning of year 26,223,638

Cash and cash equivalents, end of year \$ 25,305,860

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 12. New Pronouncements

In November 2007, the Governmental Accounting Standards Board (GASB) issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments and indicates that land and other real estate held as investments by endowments should be reported at fair value at the reporting date and changes in fair value during the period should be reported as investment income. The University will be required to apply Statement No. 52 for its June 30, 2009 year-end. An assessment of the effect of adopting Statement No. 52 is not yet complete.

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULE OF NET ASSETS - UNIVERSITY OF WYOMING

June 30, 2008 and 2007

ASSETS	2008	2007
Current Assets		
Cash and cash equivalents	\$ 78,392,470	\$ 60,391,103
Accounts receivable, net	14,677,985	13,297,666
Current portion of pledges receivable, net	218,007	301,598
Receivable from the State of Wyoming	93,705	6,609,507
Investments	112,903,683	108,264,338
Investments with Trustee	4,455,843	6,797,115
Interest receivable	143,934	158,386
Current portion of student loans receivable, net	3,702,967	3,892,988
Inventories	5,235,384	5,784,009
Prepaid expenses	1,826,832	1,921,264
Total current assets	221,650,810	207,417,974
Noncurrent Assets		
Restricted cash and cash equivalents	54,637,958	107,256,794
Investments	177,019,652	174,629,434
Prepaid expenses	601,829	665,989
Receivable from State of Wyoming	827,067	301,641
Loans to students, net	17,816,139	16,278,348
Other investments	4,720,377	1,573,411
Capital assets, net of accumulated depreciation	376,617,052	319,702,330
Total noncurrent assets	632,240,074	620,407,947
Total assets	853,890,884	827,825,921
LIABILITIES		
Current Liabilities		
Payroll and related liabilities	21,478,015	17,519,446
Accounts payable and accrued liabilities	14,736,804	13,260,619
Liability under securities lending	4,455,843	6,797,115
Due to State of Wyoming	6,780	-
Deferred revenue	10,305,142	9,511,646
Deposits held in custody for others	6,886,548	8,118,617
Accrued compensated absences	6,092,592	5,745,591
Other employee benefits	596,493	745,768
Current portion of revenue bonds payable	3,497,495	3,382,495
Current portion of capital lease obligations	310,166	293,625
Total current liabilities	68,365,878	65,374,922
Noncurrent Liabilities		
Deposits held in custody for others	5,391,308	5,638,607
Accrued compensated absences	6,092,592	5,745,591
Other employee benefits	8,342,330	8,062,806
Revenue bonds payable	40,019,528	43,517,023
Capital lease obligations	901,768	1,211,934
U.S. Government loans refundable	6,892,915	6,822,734
Total noncurrent liabilities	67,640,441	70,998,695
Total liabilities	136,006,319	136,373,617
NET ASSETS		
Invested in Capital Assets, net of related debt	335,041,848	276,416,097
Restricted for:		
Nonexpendable	136,152,293	139,793,273
Expendable:		
Scholarships, research, instruction and other	86,780,293	66,255,041
Loans	19,775,239	18,816,030
Capital projects	75,272,900	123,927,666
Unrestricted	64,861,992	66,244,197
Total net assets	\$ 717,884,565	\$ 691,452,304

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
UNIVERSITY OF WYOMING
Years Ended June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Tuition and fees (net of scholarship allowances 2008 \$16,941,647; 2007 \$14,140,184)	\$ 35,210,222	\$ 32,650,449
Federal appropriations	3,502,598	3,085,291
Federal grants and contracts	47,194,045	43,542,425
State and local grants and contracts	18,111,863	18,644,604
Nongovernmental grants and contracts	5,485,888	6,020,357
Mineral royalty	13,365,000	13,365,000
Sales and services of educational departments	11,328,703	9,455,821
Auxiliary enterprise charges (net of scholarship allowances 2008 \$4,719,843; 2007 \$3,801,183)	33,207,331	33,295,700
Interest earned on loans to students	180,510	209,316
Other operating revenues	6,077,494	2,292,961
Total operating revenues	173,663,654	162,561,924
Operating Expenses		
Instruction	115,513,356	102,476,825
Research	46,535,449	40,859,263
Public service	31,286,250	29,758,445
Academic support	28,844,766	24,887,033
Student services	11,470,010	9,991,265
Institutional support	33,869,719	28,252,046
Operation and maintenance of plant	24,372,863	23,966,329
Scholarships	14,277,240	9,605,372
Auxiliary enterprises	47,528,701	45,991,555
Depreciation	17,568,564	16,785,386
Total operating expenses	371,266,918	332,573,519
Operating (loss)	(197,603,264)	(170,011,595)
Nonoperating Revenues (Expenses)		
State appropriations	184,671,759	173,982,939
Gifts	15,445,240	21,451,076
Investment income	5,175,737	24,413,040
Interest expense	(2,158,619)	(2,290,710)
Other nonoperating revenues	810,208	242,267
Net nonoperating revenues	203,944,325	217,798,612
Gain before other revenues, expenses, gains and losses	6,341,061	47,787,017
State Appropriations Restricted for Capital Purposes	8,734,470	91,964,931
Capital Grants and Gifts	4,938,000	-
Additions to Permanent Endowments	6,418,730	8,243,037
Net increase in net assets	26,432,261	147,994,985
Net Assets		
Beginning of year	691,452,304	543,457,319
End of year	\$ 717,884,565	\$ 691,452,304

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF CASH FLOWS - UNIVERSITY OF WYOMING
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Tuition, fees and grants received	\$ 174,396,018	\$ 167,865,305
Payments to employees and fringe benefits	(236,345,356)	(212,466,358)
Payments to vendors and suppliers	(96,028,392)	(91,353,707)
Payments for scholarships	(14,277,241)	(9,605,372)
Loans issued to students	(4,287,200)	(3,961,869)
Collection of loans to students	2,356,578	2,734,727
Other receipts	13,408,552	13,923,966
Other payments	(13,757,224)	(14,420,543)
Net cash (used in) operating activities	(174,534,265)	(147,283,851)
Cash Flows from Noncapital Financing Activities		
State appropriations	191,187,560	179,986,137
Grants for other than capital purposes	6,276	6,236
Gifts for other than capital purposes	21,212,202	29,516,830
Net cash provided by noncapital financing activities	212,406,038	209,509,203
Cash Flows from Investing Activities		
Purchases of investments	(367,801,091)	(401,302,599)
Proceeds from sales and maturities of investments	346,647,094	350,148,095
Interest received on investments	16,167,658	10,479,076
Net cash (used in) investing activities	(4,986,339)	(40,675,428)
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(70,171,561)	(45,476,258)
Proceeds from sale of capital assets	294,352	758,916
Capital appropriations received	8,209,045	92,269,926
Capital grants and gifts received	-	(169,883)
Proceeds of capital debt	1,225	1,225
Repayments of capital debt and leases	(3,677,345)	(3,501,716)
Interest paid on capital debt and leases	(2,158,619)	(2,290,711)
Net cash provided by (used in) capital and related financing activities	(67,502,903)	41,591,499
Net increase (decrease) in cash and cash equivalents	(34,617,469)	63,141,423
Cash and Cash Equivalents		
Beginning of year	167,647,897	104,506,474
End of year	\$ 133,030,428	\$ 167,647,897

UNIVERSITY OF WYOMING

COMPARATIVE SCHEDULES OF CASH FLOWS - UNIVERSITY OF WYOMING

(Continued)

Years Ended June 30, 2008 and 2007

	2008	2007
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	<u>\$ (197,603,264)</u>	<u>\$ (170,011,595)</u>
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation expense	17,568,564	16,785,386
Provision for uncollectable loans and write-offs	582,852	660,951
Miscellaneous nonoperating income	1,060,514	85,401
Changes in assets and liabilities:		
Receivables, net	(775,207)	3,643,080
Inventories	548,625	(1,162,083)
Prepaid expenses	158,592	(230,112)
Notes receivable, net	(1,930,622)	(1,227,142)
Accounts payable and accrued liabilities	5,776,867	2,396,274
Due to State of Wyoming	6,780	-
Deferred revenue	787,219	1,109,136
Deposits held in custody for others	(1,479,368)	(663,321)
U.S. Government loans refundable	70,181	81,341
Accrued compensated absences	694,002	1,248,833
Total adjustments	<u>23,068,999</u>	<u>22,727,744</u>
Net cash (used in) operating activities	<u><u>\$ (174,534,265)</u></u>	<u><u>\$ (147,283,851)</u></u>
Noncash Investing, Capital, and Financing Activities		
Change in fair value of investments	\$ (12,276,332)	\$ 13,171,445
Assets acquired through gift	4,938,000	-