

UNIVERSITY OF WYOMING

FINANCIAL REPORT

JUNE 30, 2001

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McGee, Hearne & Paiz, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of Wyoming
Laramie, Wyoming

We have audited the accompanying balance sheet of the University of Wyoming as of June 30, 2001, and the related statements of changes in fund balances, and current fund revenue, expenditures and other changes 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Wyoming as of June 30, 2001, and the changes in fund balances and the current fund revenue, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2001, on our consideration of the University of Wyoming's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McGEE, HEARNE & PAIZ, LLP

Cheyenne, Wyoming
September 21, 2001

UNIVERSITY OF WYOMING

BALANCE SHEET

June 30, 2001 (with Comparative Totals for 2000)

ASSETS	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds	Agency Funds	Total All Funds	
	Unrestricted	Restricted					2001	2000
Cash and cash equivalents	\$ 46,187,805	\$ -	\$ 831,264	\$ 1,553,386	\$ 8,348,435	\$ 3,198,351	\$ 60,119,241	\$ 46,603,806
Investments	23,622,592	11,279,661	15,861,333	67,766,636	13,386,849	12,672,536	144,589,607	152,959,276
Accounts receivable, less allowance for doubtful accounts of \$918,523	2,016,083	4,996,831	2,222	-	-	1,122	7,016,258	7,202,527
Receivable from the State	3,285,703	-	-	-	-	-	3,285,703	1,204,728
Loans receivable, less allowance for doubtful accounts of \$647,200	-	-	19,664,376	-	-	-	19,664,376	20,990,764
Accrued interest receivable	13,711	251	144	43	148,124	1,084	163,357	97,326
Due from other funds	4,337,550	-	100,000	-	161,166	-	4,598,716	4,287,739
Inventories	3,490,318	-	-	-	-	-	3,490,318	3,868,942
Prepaid expenses	2,921,772	-	-	-	506,198	-	3,427,970	1,169,352
Invested in plant:								
Land	-	-	-	-	3,672,472	-	3,672,472	3,662,242
Land improvements	-	-	-	-	16,967,509	-	16,967,509	16,548,924
Buildings	-	-	-	-	281,558,893	-	281,558,893	272,348,559
Equipment	-	-	-	-	88,490,127	-	88,490,127	97,731,263
Construction in progress	-	-	-	-	7,164,991	-	7,164,991	1,096,554
	<u>\$ 85,875,534</u>	<u>\$ 16,276,743</u>	<u>\$ 36,459,339</u>	<u>\$ 69,320,065</u>	<u>\$ 420,404,764</u>	<u>\$ 15,873,093</u>	<u>\$ 644,209,538</u>	<u>\$ 629,772,002</u>

(Continued)

UNIVERSITY OF WYOMING

BALANCE SHEET (Continued)

June 30, 2001 (with Comparative Totals for 2000)

LIABILITIES AND FUND BALANCES	<u>Current Funds</u>		Loan Funds	Endowment and Similar Funds	Plant Funds	Agency Funds	<u>Total All Funds</u>	
	Unrestricted	Restricted					2001	2000
Liabilities								
Accounts payable and accrued liabilities	\$ 4,823,016	\$ 771,966	\$ 61,000	\$ -	\$ 380,514	\$ 48,943	\$ 6,085,439	\$ 6,651,516
Payroll and related liabilities	13,496,273	496,015	-	-	-	948	13,993,236	13,925,217
Compensated absences	6,281,267	955,468	-	-	-	-	7,236,735	6,906,312
Capital lease obligation	-	-	-	-	2,843,281	-	2,843,281	827,474
Due to other funds	261,166	4,290,263	47,287	-	-	-	4,598,716	4,287,739
Due to the State	425,292	-	-	-	-	-	425,292	425,292
Bonds payable	-	-	-	-	38,386,457	-	38,386,457	33,720,000
Deposits held in custody for others	-	-	1,528,096	-	-	15,823,202	17,351,298	18,284,303
Total liabilities	25,287,014	6,513,712	1,636,383	-	41,610,252	15,873,093	90,920,454	85,027,853
Fund balances								
Current fund unrestricted:								
Encumbered	\$ 2,262,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,262,361	\$ 3,181,941
Unencumbered	58,326,159	-	-	-	-	-	58,326,159	48,950,704
Current fund restricted:								
Encumbered	-	1,692,387	-	-	-	-	1,692,387	446,024
Unencumbered	-	8,070,644	-	-	-	-	8,070,644	10,448,823
U.S. Government loans refundable	-	-	5,405,728	-	-	-	5,405,728	5,589,005
Loan funds	-	-	29,417,228	-	-	-	29,417,228	31,573,901
Board-designated endowment funds	-	-	-	8,376,629	-	-	8,376,629	9,005,718
Endowment funds	-	-	-	60,943,436	-	-	60,943,436	64,083,051
Plant funds:								
Unexpended	-	-	-	-	8,242,171	-	8,242,171	3,537,995
Renewal and replacement	-	-	-	-	1,858,934	-	1,858,934	1,720,368
Retirement of indebtedness	-	-	-	-	625,357	-	625,357	479,966
Investment in plant	-	-	-	-	368,068,050	-	368,068,050	365,726,653
Total fund balances	60,588,520	9,763,031	34,822,956	69,320,065	378,794,512	-	553,289,084	544,744,149
	\$ 85,875,534	\$ 16,276,743	\$ 36,459,339	\$ 69,320,065	\$ 420,404,764	\$ 15,873,093	\$ 644,209,538	\$ 629,772,002

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 2001 (with Comparative Totals for 2000)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds				Total All Funds	
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	2001	2000
Revenue and other additions:										
Educational and general revenue	\$ 61,467,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,467,782	\$ 55,970,095
Auxiliary enterprises revenue	31,877,827	-	-	-	-	-	-	-	31,877,827	31,335,440
State appropriations	100,923,863	-	-	-	5,082,325	-	-	-	106,006,188	92,196,493
Appropriations-other State agencies	-	-	-	-	-	-	-	-	-	-
Federal appropriations-restricted	-	3,608,477	-	-	-	-	-	-	3,608,477	4,046,414
Gifts and bequests	-	2,980,060	33,057	10,891	6,480,267	112,891	-	-	9,617,166	3,623,278
Grants and contracts	-	41,676,343	-	-	-	-	-	-	41,676,343	41,606,967
Investment income	4,468,006	1,679,427	907,341	(2,966,874)	829,226	119,328	17,361	-	5,053,815	10,739,592
Interest on loans receivable	-	-	156,894	-	-	-	-	-	156,894	222,484
State allocation of mineral royalty income	16,809,584	-	-	-	-	-	-	-	16,809,584	14,678,210
Expended for plant facilities (including \$6,247,565 charged to current fund expenditures)	-	-	-	-	-	-	-	21,259,180	21,259,180	14,305,967
Retirement of indebtedness	-	-	-	-	-	-	-	4,660,000	4,660,000	4,710,000
Payments on capital leases	-	-	-	-	-	-	-	861,301	861,301	1,631,849
Other sources	-	-	-	-	12,590	1,692	-	-	14,282	79,115
Total revenue and other additions	215,547,062	49,944,307	1,097,292	(2,955,983)	12,404,408	233,911	17,361	26,780,481	303,068,839	275,145,904
Expenditures and other deductions:										
Educational and general expenditures	163,970,290	46,448,844	-	-	-	-	-	-	210,419,134	196,607,197
Auxiliary enterprises expenditures	34,066,092	-	-	-	-	-	-	-	34,066,092	31,902,328
Indirect cost recovered	-	5,029,679	-	-	-	-	-	-	5,029,679	4,696,384
Funding reversions to State	99,131	-	-	-	-	-	-	-	99,131	462,848
Loan cancellations and allowance account adjustments	-	-	1,150,076	-	-	-	-	-	1,150,076	1,054,497
Expended for plant facilities (including noncapitalized expenditures of \$875,022)	-	-	-	-	14,806,567	1,080,070	-	-	15,886,637	7,346,319
Retirement of indebtedness	-	-	-	-	-	-	4,660,000	-	4,660,000	4,710,000
Balance forward	198,135,513	51,478,523	1,150,076	-	14,806,567	1,080,070	4,660,000	-	271,310,749	246,779,573

UNIVERSITY OF WYOMING

STATEMENT OF CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2001 (with Comparative Totals for 2000)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds				Total All Funds	
	Unrestricted	Restricted			Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	2001	2000
Expenditures and other deductions (continued):										
Balance forwarded	\$198,135,513	\$51,478,523	\$ 1,150,076	\$ -	\$14,806,567	\$1,080,070	\$ 4,660,000	\$ -	\$ 271,310,749	\$246,779,573
Interest on indebtedness	-	-	-	-	-	-	1,842,150	-	1,842,150	1,645,806
Amortization of bond issuance costs	-	-	-	-	-	-	22,751	-	22,751	172,205
Disposals and other adjustments to plant facilities	-	-	-	-	-	-	-	17,669,837	17,669,837	4,759,021
Refunds and nonoperating expenditures	-	72,710	-	-	-	-	-	-	72,710	68,481
Loss on bond refunding	-	-	-	-	-	-	-	-	-	283,705
Other fund deductions	-	-	3,484,536	121,170	-	-	-	-	3,605,706	4,798,919
Total expenditures and other deductions	198,135,513	51,551,233	4,634,612	121,170	14,806,567	1,080,070	6,524,901	17,669,837	294,523,903	258,507,710
Transfers among funds:										
Mandatory:										
Principal, interest and capital reserve	(6,794,315)	-	-	-	-	312,534	6,481,781	-	-	-
Non-mandatory	(2,161,358)	475,110	1,197,370	(691,551)	7,106,335	672,191	171,150	(6,769,247)	-	-
Total transfers	(8,955,673)	475,110	1,197,370	(691,551)	7,106,335	984,725	6,652,931	(6,769,247)	-	-
Net increase (decrease) for the year	8,455,876	(1,131,816)	(2,339,950)	(3,768,704)	4,704,176	138,566	145,391	2,341,397	8,544,936	16,638,194
Fund balance, beginning of year	52,132,644	10,894,847	37,162,906	73,088,769	3,537,995	1,720,368	479,966	365,726,653	544,744,148	528,105,955
Fund balance, end of year	\$ 60,588,520	\$ 9,763,031	\$34,822,956	\$69,320,065	\$ 8,242,171	\$1,858,934	\$ 625,357	\$368,068,050	\$ 553,289,084	\$544,744,149

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

STATEMENT OF CURRENT FUND REVENUE, EXPENDITURES
AND OTHER CHANGES
Year Ended June 30, 2001 (with Comparative Totals for 2000)

	Current Funds		Total	
	Unrestricted	Restricted	2001	2000
Revenue:				
Educational and general:				
Student tuition and fees	\$ 37,809,439	\$ -	\$ 37,809,439	\$ 35,657,775
Governmental appropriations - State	100,923,863	-	100,923,863	92,196,493
Governmental appropriations - Federal	-	4,031,798	4,031,798	3,415,935
Mineral royalty - State allocation	16,809,584	-	16,809,584	14,678,210
Gifts and private contracts	5,954,942	8,574,409	14,529,351	11,490,090
Governmental grants and contracts	4,434,170	32,987,170	37,421,340	33,925,823
Endowment income	1,926,512	855,467	2,781,979	3,040,424
Sales and services of educational departments	6,545,040	-	6,545,040	6,517,465
Other sources	9,265,685	-	9,265,685	5,859,194
Total educational and general	183,669,235	46,448,844	230,118,079	206,781,409
Sales and services of auxiliary enterprises	31,877,827	-	31,877,827	31,335,440
Total revenue	215,547,062	46,448,844	261,995,906	238,116,849
Expenditures:				
Educational and general:				
Instruction	72,867,194	3,500,316	76,367,510	71,670,590
Research	10,074,663	22,401,269	32,475,932	36,428,310
Public service	8,355,185	10,840,769	19,195,954	11,772,229
Academic support	17,414,323	407,826	17,822,149	17,646,290
Student services	7,276,487	471	7,276,958	7,577,312
Institutional support	21,091,232	267,578	21,358,810	17,750,245
Operation and maintenance of plant	13,482,914	-	13,482,914	12,959,218
Scholarships	13,408,292	9,030,615	22,438,907	20,803,003
Total educational and general	163,970,290	46,448,844	210,419,134	196,607,197
Auxiliary enterprises	34,066,092	-	34,066,092	31,902,328
Total expenditures	198,036,382	46,448,844	244,485,226	228,509,525
Mandatory transfers:				
Principal and interest	6,794,315	-	6,794,315	6,648,915
Total expenditures and mandatory transfers	204,830,697	46,448,844	251,279,541	235,158,440
Other transfers and additions/ (deductions):				
Excess of restricted receipts over transfers to revenue	-	(1,534,216)	(1,534,216)	3,248,119
Non-mandatory transfers - net	(2,161,358)	475,110	(1,686,248)	(3,544,030)
Funding reversions to State	(99,131)	-	(99,131)	(396,794)
Refunded to grantors	-	(72,710)	(72,710)	(68,481)
Total transfers and additions/(deductions)	(2,260,489)	(1,131,816)	(3,392,305)	(761,186)
Net increase (decrease) in fund balance	\$ 8,455,876	\$ (1,131,816)	\$ 7,324,060	\$ 2,197,223

See Notes to Financial Statements.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the University of Wyoming (the "University") are presented in accordance with fund accounting guidelines set forth in the American Institute of Certified Public Accountants' (AICPA) industry audit guide, *Audits of Colleges and Universities*, and the National Association of College and University Business Officers' publication, *College and University Business Administration* and the Governmental Accounting Standards Board.

Reporting entity: The University is a component unit of the State of Wyoming.

Accounting principles generally accepted in the United States of America require that the University financial statements include organizations for which the University is financially accountable and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. 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 if it were a part of the University.

Other accounting policies: The financial statements of the University have been prepared on the accrual basis. The statement of current fund revenue, expenditures and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenue and expenses.

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which the accounting and reporting activities for resources are performed within funds established, based upon the activities and purposes for which the resources are to be used. A separate group of self-balancing accounts is used for each fund; however, in the accompanying financial statements, funds of similar characteristics and purposes have been combined and reported upon as a group of funds.

Within each group of funds, fund balances restricted by outside sources have been identified. Externally restricted funds may only be utilized in accordance with the restrictions placed upon the resources by the external source. Within the restricted group of funds, revenue is recognized only to the extent that expenditures are made. Resources received in excess or deficiency of expenditures made are recorded as "Excess of restricted receipts over transfers to revenue" in the statement of current fund revenue, expenditures and other changes.

Fund group classifications consist of the following:

Current Funds are used primarily for current operating expenditures incurred in performing the primary and support objectives of the University, i.e. instruction, research, public service, and activities to support these functions. The Current Funds group has two basic subgroups, unrestricted and restricted.

Loan Funds consist of loans to students and of resources available for such purposes.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Endowment and Similar Funds: Endowments are gifts and donations which have been received from benefactors who, by the terms of their conveying instruments, have stipulated that the principal of their gifts may not be expended. Board-designated endowment funds are those which the Board of Trustees of the University has determined are to be retained and invested until the Board, at its discretion, authorizes their expenditure. Income derived from investments of Endowment and Similar Funds is accounted for in the fund to which it is restricted, or if unrestricted, as revenue in unrestricted current funds.

Plant Funds consist of four self-balancing subgroups. Unexpended Plant Funds are used for the acquisition of long-lived assets for institutional purposes. Funds for Renewal and Replacement are those set aside for the renewal and replacement of institutional properties. Retirement of Indebtedness Funds are those set aside for debt service charges and the retirement of indebtedness on institutional properties. Investment in Plant includes all long-lived assets of the University and all construction in progress.

Plant Fund assets are recorded at acquisition cost or, if contributed, at fair value at the date of the gift. Library books, art objects, collections of historical material and other artifacts, although considered valuable, are not valued for financial statement purposes. Depreciation on Plant Fund assets is not recorded. When Current Funds are used to finance plant assets, the amounts so provided are accounted for as: 1) expenditures, in the case of new and replacement equipment; 2) mandatory transfers, in the case of required provisions for debt amortization and interest; and 3) as transfers of a nonmandatory nature for all other cases.

Agency Funds include funds held by the University as custodian or fiscal agent for others.

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 activity during the reporting period. Actual results could differ from those estimates.

Summer session tuition and expenditures are recognized totally within the fiscal year in which the session is predominantly conducted. Summer school term begins in May and ends in late July; therefore, all tuition and expenditures related to the summer 2001 term are recognized in the fiscal year ended June 30, 2001.

Interest on loans to students is recognized as income when received.

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

Investments, other than certain U.S. Government securities, are carried at fair value. U.S. Government securities with maturities of less than one year at the date of purchase are carried at amortized cost. Land included in endowment fund investments is carried at cost or fair value at the date of donation. Investment income is accounted for in the fund which owns the corresponding assets, except in the endowment fund where income from the investment is recorded in the fund accounting for the benefit specified by the donor.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

All other unrestricted revenue is accounted for in the Unrestricted Current Fund. Restricted gifts, grants, appropriations, endowment income and other restricted resources are accounted for in the appropriate Restricted Funds. Restricted Current Funds are reported as revenue and expenditures when expended for current operating purposes.

Cash and cash equivalents consist of deposits with the State Treasurer, cash on deposit with financial institutions and investments with original maturities of less than three months.

As an agency of the State of Wyoming, a significant portion of the University's operations and activities is funded through State appropriations.

Note 2. Deposits with Financial Institutions and Investments

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

At June 30, 2001, the University had \$23,664,425 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, 2001, the carrying amount of the University's deposits, other than the amounts on deposit with the State Treasurer, was \$34,570,132 and the bank balances were \$38,523,159, which are categorized below to give an indication of the level of credit risk assumed by the University.

Category I: Includes amounts insured by the Federal Deposit Insurance Corporation.

Category II: Collateralized with securities held by the pledging institution's trust department or agent in the University's name.

Category III: Uncollateralized deposits.

	Category			Bank Balance
	I	II	III	
Deposits	\$ 244,276	\$ 35,878,883	\$ -	\$ 36,123,159
Certificates of deposit	-	2,400,000	-	2,400,000
	<u>\$ 244,276</u>	<u>\$ 38,278,883</u>	<u>\$ -</u>	<u>\$ 38,523,159</u>

The University has authority to invest endowment funds in equity or nonequity investments. At June 30, 2001, these investments are categorized below to give an indication of the level of credit risk assumed by the University.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

The statutes of the State of Wyoming authorize agencies of the State to invest public funds in U.S. Treasury bills, notes, bonds or other obligations which are unconditionally guaranteed or insured by the U.S. Government, or an agency thereof.

- Category I: Includes investments that are insured, registered, or held by the University or its agent in the University's name.
- Category II: Includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent in the University's name.
- Category III: Includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or an agent but not in the University's name.

Investments held by the State Treasurer, mutual funds, land and other investments are not categorized below, as they are not evidenced by a physical security and therefore do not correlate to the categories listed above. Detailed information on the State Treasurer's pooled investments is available from that office.

	Category			Carrying Amount	Fair Value
	I	II	III		
Stocks, bonds and debentures	\$ 34,261,892	\$ -	\$ -	\$ 34,261,892	\$ 34,261,892
U.S. Government securities	5,550,620	69,201,450	-	74,752,070	73,230,078
Mutual fund	-	-	-	12,094,117	12,094,117
Land	-	-	-	1,243,890	5,447,028
Treasurer	-	-	-	18,692,116	18,692,116
Money market mutual fund	-	-	-	1,884,684	1,884,684
Other	-	-	-	3,545,522	3,545,522
	<u>\$ 39,812,512</u>	<u>\$ 69,201,450</u>	<u>\$ -</u>	<u>\$ 146,474,291</u>	<u>\$ 149,155,437</u>

The University invests in common stocks and bonds of publicly-traded companies, U.S. Government obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in market value in the near term would materially affect investment balances and the amounts reported in the financial statements.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 3. Loans Receivable

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

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

The outstanding principal balance of loans made under medical school contracts is canceled if residency is completed at one of the eligible clinics in the State of Wyoming or upon practicing full-time medicine in the State of Wyoming. The balance is canceled at a rate of one-third of original principal balance per year for each year of residency or practice of full-time medicine in the State of Wyoming.

Contracts for the 1993-1994 school year and thereafter: Payments consist of 96 equal monthly installments with interest accruing at an annual rate of 8% starting four years after the student enters into an agreement. If any scheduled payment is missed, the interest accrues at the maximum rate allowed by law.

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

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

Medical student loan cancellations are considered a reduction in the fund balance 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.

Note 4. Compensated Absences for Annual Leave

University employees may accrue annual leave based on the length of service and subject to certain limitations regarding the amount which will be paid upon termination. The estimated liability for compensated absences, including benefits, for which employees are vested at June 30, 2001, was \$7,236,735.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 5. Bonds Payable

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 Refunding Revenue Bonds, Series 1993 and Series 1994, retirement of the Facilities Improvement and Refunding Revenue Bonds, Series 1999, and retirement of the Facilities Improvement Revenue Bonds, Series 2001.

	Authorized and Issued	Interest Rates	Bonds Outstanding as of July 1, 2000	Issued	Payments	Bonds Outstanding as of June 30, 2001
Facilities Refunding Revenue Bonds:						
Series 1993	\$ 9,195,000	3.5% to 5.5%	\$ 6,195,000	\$ -	\$ 895,000	\$ 5,300,000
Series 1994	9,715,000	3.3% to 5.3%	9,055,000	-	2,865,000	6,190,000
Series 1999	18,760,000	3.8% to 5.5%	18,470,000	-	900,000	17,570,000
Facilities Improvement Revenue Bonds:						
Series 2001	<u>9,120,000</u>	4% to 5%	<u>-</u>	<u>9,120,000</u>	<u>-</u>	<u>9,120,000</u>
	<u>\$ 37,670,000</u>		<u>\$ 33,720,000</u>	<u>\$ 9,120,000</u>	<u>\$ 4,660,000</u>	<u>38,180,000</u>
Original issue discount/premium						<u>206,457</u>
						<u>\$ 38,386,457</u>

Aggregate maturities of the long-term debt at June 30, 2001, are as follows:

Year Ended June 30,	
2002	\$ 4,870,000
2003	4,815,000
2004	1,880,000
2005	1,960,000
2006	2,065,000
Thereafter	<u>22,590,000</u>
	<u>\$ 38,180,000</u>

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

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 which include insurance for property and liability. The uninsured risk retention per occurrence is \$100,000/\$200,000 for property and \$50,000/\$1,000,000 for various liability risks. Settlements have not exceeded insurance coverages in any of the past three fiscal years.

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, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Unpaid claims, beginning of fiscal year	\$ 255,000	\$ 255,000
Claims incurred	202,424	245,382
Claims paid	<u>(202,424)</u>	<u>(245,382)</u>
Unpaid claims liability, end of fiscal year	<u>\$ 255,000</u>	<u>\$ 255,000</u>

The University participates in the State of Wyoming employee medical, life and dental insurance program which is co-administered with a third-party health provider/claim service company. The State self-insures medical and dental costs and assumes all the risk for claims incurred by plan participants. The State does not retain any risk of loss for the life insurance plan as the insurance provider assumes all the risk for claims incurred by participants.

The State contributes up to \$225 a month for insurance premiums for each covered participant towards these plans. Participants are responsible for paying premium charges in excess of this amount.

The University also participates in two State of Wyoming risk management programs: Workers' Compensation Act and Unemployment Compensation Act.

Wyoming Statute §27-14-101 created the Wyoming Workers' Compensation Act which is administered 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 2001, was \$1,209,043.

Wyoming Statute §27-3-101 created the Unemployment Compensation Act. The University pays the State expense reimbursement for unemployment claims brought against the University.

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NOTES TO FINANCIAL STATEMENTS

Changes in the balance of claims liability during fiscal years 2001 and 2000, are as follows for the University's participation in the Unemployment Compensation Act program:

	<u>2001</u>	<u>2000</u>
Unpaid claims, beginning of fiscal year	\$ -	\$ -
Claims incurred	73,596	50,827
Claim payments	<u>(73,596)</u>	<u>(50,827)</u>
Unpaid claims, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>

Note 7. Related Organization and Party

Related organization: The Board of Trustees is responsible for appointing the members of the Board of Directors 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.

Related party: The University of Wyoming Foundation (the "Foundation") is a not-for-profit corporation formed to promote the welfare, development, growth and well-being of the University. The Foundation operates independently from the University, but supports University activities. During the year ended June 30, 2001, approximately \$12,700,000 was transferred to the University in support of its activities and was reflected in the University's financial statements as revenue and other additions.

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 \$29,750,000. As of June 30, 2001, the remaining commitment to complete these projects totaled approximately \$7,475,000. These completion costs will be financed by a combination of State appropriations, private gifts and grants, and student fees.

University Housing Facilities has a commitment for the purchase of cable television programming and related services totaling approximately \$1,400,000 through 2005.

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.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

The University has an agreement whereby the operation of the Casper Family Practice Clinic was transferred to Community Health Center of Central Wyoming (the "Center"). The University will pay \$1,850,000 to the Center in monthly installments of \$154,167 through June 30, 2002. In exchange, the Center will provide an educational and clinical environment for the training of family practice residents and faculty in related health care fields. The agreement is automatically renewed unless the University or Center provide 90 days written notice.

Note 9. Retirement and Pension Plans

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

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

Statutes require that 11.25% of the covered employee's salary be contributed to the plan, one-half by the employee and the other half by the employer. The University contributes the employee and employer portion funded primarily through appropriations from the State Legislature. For the year ended June 30, 2001, the University's contribution to the WRS was \$4,663,409, which equals the required contribution for the year ended June 30, 2001.

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 equally by the employer and employee and the University has elected to fund the employee portion. Contributions are funded as accrued and are immediately vested. The contribution for 2001, was \$6,662,555.

The Wyoming Legislature enacted legislation allowing certain State employees to elect early retirement. The early retirement option was available to employees making the election between April 1, 1995 and June 30, 1995, with up to a two-year delay in the effective retirement date.

All retiring eligible employees under the legislation who were not yet age 61 receive 20% of their salary until they reach age 62. All retiring eligible employees were entitled to a medical benefit not to exceed \$215 per month until they reach age 65.

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NOTES TO FINANCIAL STATEMENTS

To participate in the early retirement option under the legislation, the employee had to make the election to retire between April 1 and June 30, 1995 and be approved by the President of the University.

The liability for the installment distributions is accounted for in the Current Funds Unrestricted fund group in an amount equal to the present value of the future payments discounted at 8%. Total liability as of June 30, 2001, is \$808,733.

Presented below is a summary of debt service requirements for termination benefits due former employees:

Fiscal Year Ending:	Termination Benefits Due Former Employees
2002	\$ 358,185
2003	239,384
2004	113,093
2005	58,944
2006	27,742
2007	8,520
2008	2,865
	<u>\$ 808,733</u>

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

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

If the individual meets one of the above criteria and has unused sick leave time, the sick leave time can be converted into health insurance premiums up to a maximum of three years worth of premiums. The conversion of sick leave time to health insurance premiums is five days of unused sick leave converts to one and a half months of premiums up to a \$225 per month premium. The premium is paid by the University as it is incurred on a monthly basis. Total amount charged to expense for the year ended June 30, 2001, was \$154,980 and total liability accrued for at June 30, 2001, is \$935,694.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 10. Due To/Due From

Balances of interfund receivables and payables at June 30, 2001, are as follows:

	Due From Other Funds	Due To Other Funds
Current Unrestricted Fund	\$ 4,337,550	\$ 261,166
Current Restricted Fund	-	4,290,263
Plant Fund	161,166	-
Loan Fund	100,000	47,287
	<u>\$ 4,598,716</u>	<u>\$ 4,598,716</u>

Note 11. Capital Lease Obligations

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 5.7% interest rate. The University is leasing scoreboards for the football and basketball venues. The assets and related liabilities were recorded at the present value of the future payments due under the lease as determined using a 9% interest rate. The University is also leasing other physical plant equipment under capital lease agreements.

The 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, 2001:

Year Ending June 30,	Airplane	Scoreboards	Other	Total
2002	\$ 144,920	\$ 215,247	\$ 88,315	\$ 448,482
2003	144,920	215,247	13,880	374,047
2004	144,920	215,247	-	360,167
2005	144,920	215,247	-	360,167
Thereafter	<u>1,473,351</u>	<u>1,112,110</u>	<u>-</u>	<u>2,585,461</u>
Total minimum lease payments	2,053,031	1,973,098	102,195	4,128,324
Less amount representing interest	<u>(646,610)</u>	<u>(632,793)</u>	<u>(5,640)</u>	<u>(1,285,043)</u>
Net present value of minimum lease payments	<u>\$ 1,406,421</u>	<u>\$ 1,340,305</u>	<u>\$ 96,555</u>	<u>\$ 2,843,281</u>

The cost of assets acquired under capital lease is \$3,447,843.

UNIVERSITY OF WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 12. Comparative Amounts

The amounts shown for 2000, in the accompanying financial statements, are included to provide a basis for comparison with 2001, and are not intended to present all information necessary for a fair presentation of the 2000 financial statements in conformity with accounting principles generally accepted in the United States of America.

Note 13. Pending GASB Statements

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The presentation of the information was developed to make annual reports more comprehensive and easier to understand and use. GASB Statement No. 34 will be effective for the year ending June 30, 2002.

GASB issued Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Generally, this amendment to Statement No. 34 permits public colleges and universities, in separately issued financial statements, to use the guidance for special-purpose governments engaged only in business-type activities, engaged only in governmental activities, or engaged in both governmental and business-type activities in their separately issued reports. Under this guidance, in its separately issued reports, a public institution is required to include management's discussion and analysis (MD&A); basic financial statements, as appropriate for the category of special-purpose government reporting selected; notes to the financial statements; and required supplementary information other than MD&A. GASB Statement No. 35 will be effective for the year ending June 30, 2002.

Management of the University continues to study the statement provisions of GASB Statements No. 34 and 35 and has not yet determined what effect the Statements will have on financial condition or the recognition and presentation of the financial statements.