# UNIVERSITY OF WYOMING

## FINANCIAL REPORT

## JUNE 30, 2003

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MHP **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 statements of net assets of the University of Wyoming, a component unit of the State of Wyoming, as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Wyoming as of June 30, 2003 and 2002, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 14, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6,, 2003, 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 grants. 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 6, 2003

# UNIVERSITY OF WYOMING
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2003

### INTRODUCTION

The following unaudited Management's Discussion and Analysis (MD&A) is required supplemental information, and is designed to assist readers in understanding the accompanying financial statements required by the standards of the Governmental Accounting Standards Board (GASB). This discussion and analysis provides an overview of the University of Wyoming's financial position and activities for the fiscal year ended June 30, 2003, and has been prepared by management to be read in conjunction with the financial statements and the notes thereto, which follow this section. The MD&A contains the financial activities of the University of Wyoming and its component unit, the Cowboy Joe Club. Cowboy Joe Club financial activities are incorporated in the financial statements as a whole; discrete presentation is not required.

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 assisting in evaluating efficiency and effectiveness of operations.

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

### FINANCIAL STATEMENTS OVERVIEW

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. These statements are prepared in accordance with GASB principles. The University adopted GASB Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38, beginning with the fiscal year ended June 30, 2002.

These statements 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 34/35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Previously, financial statements focused on the accountability of individual fund groups rather than on the University as a whole.

For comparison purposes, fiscal year 2002 information is presented below and in the accompanying financial statements. A brief explanation of significant financial reporting components follows.

**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 2003, over one-half of the University's regular operating expenses were funded by revenues categorized as nonoperating. 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, 2003, operating revenues totaled $136.6 million, operating expenses were $271.2 million, resulting in a loss from operations of $134.6 million. Nonoperating revenues totaled $138.1 million, while nonoperating expenses, consisting primarily of interest expense, totaled $2.2 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, 2003, scholarships and fellowships totaled $22.9 million, of which $15.8 million represents amounts applied to student accounts, as defined by GASB 34/35, while $7.1 million was paid directly to students.

Expenditures for purchases of capital assets have been replaced by the recognition of **depreciation expense** on the capital assets. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements. For the year ended June 30, 2003, capital assets (net of depreciation) increased by $14 million to a total of $242.2 million. Depreciation expense totaled $13.7 million.

**Deferred revenue** consists primarily of unexpended cash advances received from contract and grant sponsors, which have not yet been earned under the terms of the agreement. It also includes amounts received in advance, including student tuition and advance ticket sales. Deferred revenue as of June 30, 2003, was $8 million, an increase of less than $1 million from the 2002 level.

## FINANCIAL HIGHLIGHTS

### 2003

- The assets of the University exceeded liabilities as of June 30, 2003, by $377.5 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 $377.5 million in total net assets, $211.1 million (net of related debt) is invested in capital assets, $109.7 million is restricted as to use ($70.8 million is nonexpendable – endowments required to be retained in perpetuity – and $38.9 million is expendable for scholarships, research, instruction, loans or capital projects), while $56.7 million (unrestricted net assets) may be used to meet ongoing obligations.

- The University's net assets increased by $10.5 million this fiscal year. An increase in net assets over time is one indicator of an institution's improving financial health. The components of this increase are discussed in further detail in the Statement of Net Assets section below. Notably, the State of Wyoming's matching program for the University of Wyoming's DISTINCTION Campaign contributed $9 million this year to the University's permanent endowment – an increase from last year's $5 million dollar-for-dollar match of private gifts of $50,000 or more dedicated to an endowed purpose.

**2002**

- The assets of the University exceeded liabilities as of June 30, 2002 by $367 million. Of this amount, $64.4 million (unrestricted net assets) may be used to meet ongoing obligations, $197.2 million (net of related debt) is invested in capital assets, while $105.4 million is restricted as to use ($61.6 million is nonexpendable – endowments required to be retained in perpetuity – and $43.8 million is expendable for scholarships, research, instruction, loans or capital projects).

- The University's net assets decreased by $1.2 million, partially attributable to the new requirement to recognize depreciation expense. In absence of the $13.4 million depreciation charge, net assets actually increased by $12.2 million. An unfavorable stock market fluctuation in the University's investment portfolio further constrained growth in net assets.

## 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 in which the University is legally or contractually obligated to spend resources 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.

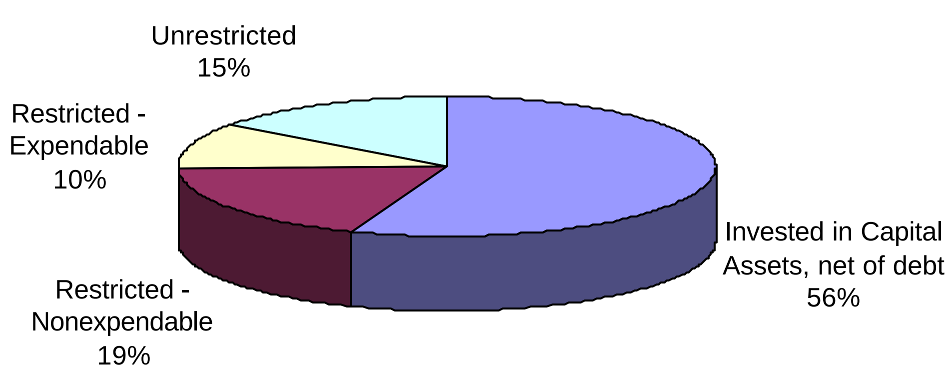
The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received or paid.

A condensed Statement of Net Assets at June 30, 2002 and 2003, as well as a graphic display of the net asset categories as of June 30, 2003, is presented below.

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

| | 2003 | 2002 |
|---|---|---|
| Current Assets | $ 124.7 | $ 130.9 |
| Noncurrent Assets: | | |
| Investments | 89.7 | 84.5 |
| Capital assets, net of accumulated depreciation | 242.2 | 228.2 |
| Other assets | 18.2 | 17.5 |
| **Total Assets** | **474.8** | **461.1** |
| Current Liabilities | 41.3 | 38.7 |
| Noncurrent Liabilities | 56.0 | 55.4 |
| **Total Liabilities** | **97.3** | **94.1** |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 211.1 | 197.2 |
| Restricted: | | |
| Nonexpendable | 70.8 | 61.6 |
| Expendable | 38.9 | 43.8 |
| Unrestricted | 56.7 | 64.4 |
| **Total Net Assets** | **$ 377.5** | **$ 367.0** |

**Net Assets - June 30, 2003**



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** increased by $13.7 million during fiscal year 2003 to a total of $474.8 million. Total assets include both current assets (generally considered to be convertible to cash within one year) and noncurrent assets. Contributing to this increase was a $14 million net increase in **capital assets**. The renovation of Washakie Dining Center increased construction in progress balances by $9.4 million, while the purchase of the UW Office Annex (formerly known as the Farm Bureau Building) and initial work on the College of Health Sciences Center contributed $2 million and $1.2 million, respectively, to construction in progress. A detailed schedule of changes in capital assets can be found in Note 4 to the Financial Statements.

Current and noncurrent **investments** increased by $6.2 million as a result of DISTINCTION Campaign state matching gifts, a recovering U.S. stock market, as well as changes in requirements for operating capital. Other **current assets**, such as cash and cash equivalents, accounts and student loans receivable, and inventories decreased by a net $9.3 million, while other **noncurrent assets,** such as restricted cash and prepaid expenses increased slightly (less than $1 million).

**Total liabilities** are also categorized as current and noncurrent. Total liabilities increased by $3.2 million during fiscal year 2003 to a total of $97.3 million; they include payroll and deposit liabilities, accounts payable, deferred revenue, accrued compensated absences (vacation pay), 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** (amounts which become due and payable in cash or services within the following 12 months) increased by $2.5 million while noncurrent liabilities increased by less than $1 million.

The increase in total assets of $13.7 million is offset by the increase in total liabilities of $3.2 million, resulting in a net asset increase of $10.5 million. Current assets minus current liabilities represent the institution's net working capital. Net working capital decreased by $8.8 million, partly as a result of using operating cash for the purchase of the UW Office Annex building and to acquire land for the Sustainable Agriculture and Research Center (SAREC) in Goshen County. This decline in liquidity was due in part to the increased cost of employee health insurance premiums borne by self-sustaining campus operations as well as decreased short-term investment income.

Total assets of the University of Wyoming ($474.8 million) exceed total liabilities ($97.3 million) by $377.5 million, indicating a strong financial position at June 30, 2003.

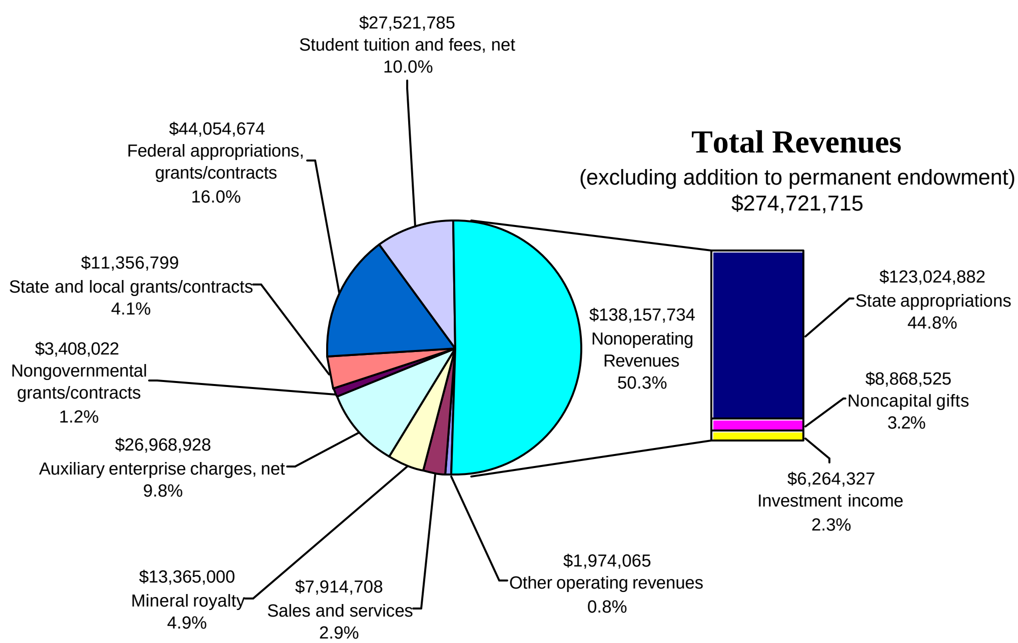
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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 the diverse stream of revenues, which supplement its student tuition and fees, including state appropriations, voluntary private support from individuals, foundations and corporations, along with government and other sponsored programs, and investment income. Eighty-one percent (81%) of UW's revenue is attributed to state appropriations, grants and contracts, mineral royalties, and tuition and fees. The University has in the past and 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 its operating activities.

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

| | 2003 | 2002 |
|---|---|---|
| Operating Revenues | $ 136.6 | $ 116.1 |
| Operating Expenses | (271.2) | (244.5) |
| Loss from Operations | (134.6) | (128.4) |
| Net Nonoperating Revenues (Expenses) | 135.9 | 122.1 |
| Income (Loss) Before Other Revenue, Expenses, Gains/(Losses) | 1.3 | (6.3) |
| Net Other Revenue, Expenses, Gains and (Losses) | 9.2 | 5.1 |
| **Net Increase (Decrease) in Net Assets** | **10.5** | **(1.2)** |
| Net assets - Beginning of Year | 367.0 | 368.2 |
| **Net Assets - End of Year** | **$ 377.5** | **$ 367.0** |



The chart above reflects operating and nonoperating revenues; it does not include additions to permanent endowments or nonoperating expenses. The table below incorporates all of these elements to reflect total resources available to the University of $281.7 million. Operating expenses total $271.2 million, resulting in an increase in net assets of $10.5 million.

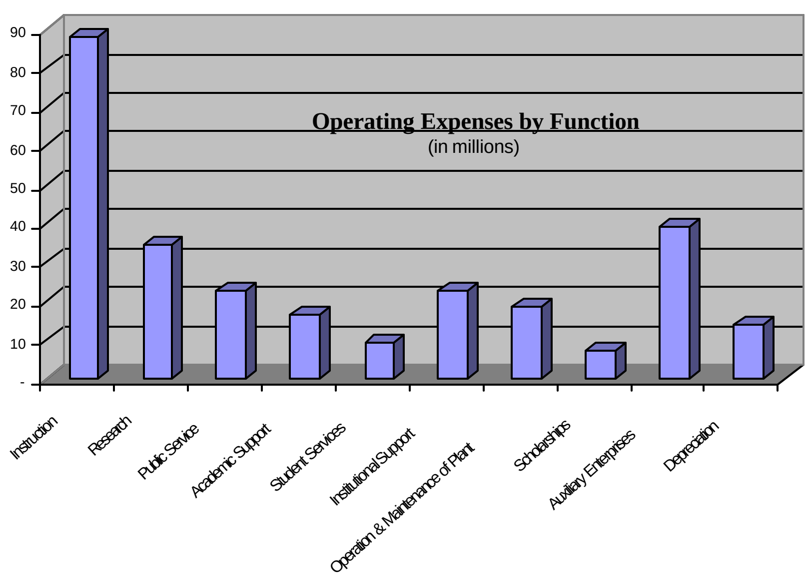
**Revenues and Additions to Permanent Endowments**
net of nonoperating expenses
(in millions)

| | 2003 | 2002 |
|---|---|---|
| Operating revenues | $ 136.6 | $ 116.1 |
| Nonoperating revenues | 138.1 | 123.6 |
| Total revenue (excluding additions to permanent endowment) | 274.7 | 239.7 |
| Nonoperating expenses | (2.2) | (1.5) |
| Additions to permanent endowments | 9.2 | 5.1 |
| **Total revenues and additions to permanent endowment (net of operating expenses)** | **$ 281.7** | **$ 243.3** |

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

**Total Operating Expenses**
(in millions)

| | 2003 | 2002 |
|---|---|---|
| Compensation and benefits | $ 179.2 | $ 155.7 |
| Supplies and support services | 71.2 | 68.2 |
| Scholarships | 7.1 | 7.2 |
| Depreciation | 13.7 | 13.4 |
| **Total expenses** | **$ 271.2** | **$ 244.5** |



Total revenues for the year ended June 30, 2002 were $243.3 million, while total expenses were $244.5 million, resulting in a decrease in net assets of $1.2 million. A $6.3 million deficiency existed, prior to a $5.1 million addition to the University's permanent endowment. Depreciation – a noncash expense – of $13.4 million contributed significantly to the $6.3 million loss from operating and nonoperating activities.

## 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)

| | 2003 | 2002 |
|---|---|---|
| Cash provided (used) by: | | |
| Operating activities | $ (118.3) | $ (109.0) |
| Noncapital financing activities | 140.8 | 129.4 |
| Investing activities | .3 | (8.7) |
| Capital and related financing activities | (34.7) | (27.5) |
| Net increase (decrease) in cash | (11.9) | (15.8) |
| Cash, beginning of the year | 44.3 | 60.1 |
| **Cash, end of the year** | **$ 32.4** | **$ 44.3** |

Cash flows from operating activities will always be different than the operating loss shown in the Statement of Revenues, Expenses and Changes in Net Assets because of noncash items, such as depreciation expense, and because the latter statement is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred, without regard to when cash is actually received or paid.

**Cash flows from operating activities** include cash received from customers for tuition and fees, room and board, bookstore and other auxiliary services sales, and collection of student loans, as well as cash receipts for federal, state, local, and nongovernmental grants and contracts. Mineral royalties from the State of Wyoming are also included in this category. Cash outflows include salaries and benefits paid to faculty and staff and payments to vendors for goods and services. Net cash used by operating activities increased by $9.3 million, partially as a result of increased salary and benefit levels in an environment of modest tuition increases. Net cash used by operating activities totaled $118.3 million in fiscal year 2003, up from the 2002 amount of $109 million.

**Noncapital financing activities** include state appropriations and gifts received for other than capital purposes. Cash provided by these activities increased by $11.4 million, $10.7 of which is an increase in state appropriations cash flow from $112.3 million in 2002 to $123.1 million in 2003. Gifts for noncapital purposes remained stable and added $17.7 million to the total cash provided by noncapital financing activities of $140.8 million in 2003.

**Cash flows from investing activities** reflect all uses of cash and cash equivalents to purchase investments and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments. In 2002, purchases of investments outweighed sales and other income producing a net cash outflow of $8.7 million. Conversely, in 2003, sales and other income were greater than purchases, which provided a small amount of positive cash flow.

**Cash flows from capital financing activities** include the proceeds received from short-term and long-term debt obligations, the repayment of capital debt and leases, including interest paid, capital appropriations received, and the acquisition and sale of capital assets. Net cash used by capital and related financing activities increased by $7.2 million, partly as a result of cash paid for capital assets. Capital asset activity is discussed in detail in the following section and a schedule of capital asset activity can be found in Note 4 to the Financial Statements. Total cash used in this category was $34.7 million in 2003, up from $27.5 million in 2002.

## 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, as well as improving students' experience and environment, is a commitment to the development and renewal of its capital assets.

The University of Wyoming implemented the first phase of its Capital Facilities Plan (CFP) in 2003. This plan is part of UW's ongoing effort to formalize institutional planning processes. The CFP supports the University's Academic and Support Services Plans and addresses a vision for the University, including an examination of what facilities are needed to properly serve future generations of students and faculty.

The CFP anticipates using a variety of funding mechanisms to carry out UW's capital project goals. Major projects identified within the plan will be funded through a combination of state legislative funding, private support, and University funds. Facilities supported through auxiliary operations will be funded by revenues generated within those operations.

This year - the first year of the plan – just such a mix of funding sources was identified for the $17.9 million College of Health Sciences Center. This project broke ground in September 2003 as a result of combining state appropriations, University revenues, and generous private support. It involves a complete renovation of the Biochemistry Building, an addition to the west side of the Pharmacy Building, and a multi-story "bridge" connecting the two buildings.

In the fall of 2002 the campus community celebrated the re-opening of the Wyoming Union after more than two years of construction in progress. During fiscal year 2003, over $13 million was transferred from construction in progress and added to the cost of the building, bringing the total cost of the Wyoming Union at June 30, 2003, to $17.9 million.

The Washakie Center construction project experienced significant progress during the year. The Center provides a new concept in dining for the University community as well as modern living space, computer facilities, meeting rooms, and offices for the Residence Life and Dining Services Department. Over $9 million dollars was expended during fiscal year 2003, bringing the total construction in progress balance to $11.9 million at June 30, 2003. The Center to re-opened on August 29, 2003, bringing this $13 million renovation project to substantial completion. A grand opening dedication was held in October, which included the unveiling of a bronze statue of Chief Washakie, the building's namesake.

Other significant capital activities included completion of the Rochelle Athletic Center at a cost of $8.2 million and the $2 million purchase of the Farm Bureau Building, now known as the University of Wyoming Office Annex. Land acquisitions for the new Sustainable Agriculture Research and Extension Center (SAREC) in Goshen County have commenced and completion of the land acquisition phase is expected early in the fall of 2003.

Plans for capital projects in the future include the closure of Prexy's Pasture to parking and vehicle traffic, renovation of the Classroom Building, construction of the Information, Library and Learning Center ($IL^2C$), the new Early Childhood Education Center, and the first phase of renovations to residence halls in the Washakie Complex.

Plans are also well underway for the creation of the Wyoming Technology Business Center, a business incubator on campus that would assist new businesses arising primarily from University research. The 2003 Wyoming Legislature provided funding for the construction drawings and committed $5.2 million to be funded from state revenue bonds, contingent upon $3.2 million matching funds generated by the University and its partners (the Wyoming Business Council, the Laramie Economic Development Corporation, and the City of Laramie).

Finally, the University will undertake structural repairs required to enable continued use of War Memorial Stadium during the 2004 football season. $5.5 million will be requested from the state in the upcoming legislative budget session to repair the upper west stands and to undertake other structural repairs which must be made over the next several years to ensure public safety and continued long-term use of the facility.

To summarize, the following changes in capital assets took place during the year ended June 30, 2003:

- $16.6 million addition to construction in progress, primarily related to the renovation of Washakie Center ($9.4 million), the purchase of the UW Office Annex ($2 million) and initial work on the College of Health Sciences Center ($1.2 million). Over $23 million of project costs were removed from construction in progress and capitalized, signaling completion of the construction phase on several projects, primarily the Wyoming Union ($13.3 million) and the Rochelle Athletic Center ($8.2 million). Total construction in progress at June 30, 2003, was $18.2 million.

- $10.2 million addition to other capital assets including infrastructure; land improvements; buildings; furniture, fixtures and equipment; and library materials. Together with the $23 million in completed projects mentioned previously, total other capital assets (before accumulated depreciation) at June 30, 2003, totaled $444.6 million.

The total cost of all capital assets (land, land improvements, construction in progress, and other capital assets) as of June 30, 2003, was $470.3 million. Accumulated depreciation of $228.1 million results in net capital assets of $242.2 million.

**<u>Debt Activity</u>**

In March 2003 the University issued Facilities Refunding Revenue Bonds in the amount of $4.3 million, the proceeds of which were used to perform a current refunding of outstanding bonds issued in 1993. The present value savings realized on this transaction was over half a million dollars, enabled by the current low tax-exempt interest rate environment. Normal, recurring debt service payments of $4.7 million reduced the balance of revenue bonds payable to $28.8 million.

## ECONOMIC OUTLOOK

The University of Wyoming's partnership with the State of Wyoming continues to be one of the most significant factors affecting UW's economic future. Unlike the situation that confronts higher education in the vast majority of American higher education, those of us in Wyoming are enjoying the benefits of a buoyant state economy, supportive statewide elected officials and state legislators, a nonpartisan Board of Trustees and Foundation Board committed to the strengthening of the institution, and faculty, staff, and students who share the public's view that the state's only university is one of our most enduring and important institutions. As President Philip L. Dubois said in his installation address in the fall of 1997, we have a responsibility for baccalaureate, graduate, and professional education that is unique in this country: "We're not just the flagship—we're the whole fleet."

The State of Wyoming and the higher education community continue to face challenges related to economic development as we strive to create an environment that produces good jobs that will keep workers in the state, a quality health care system that is essential to a robust economy and a quality education delivered by the public school system. It is essential for the state – and therefore, for the University – to develop the one true renewable resource: a steady supply of educated citizens who can create economic diversity and fill the dynamic new jobs that are created; who can form the backbone of a viable health care infrastructure; and who can advance Wyoming's public education deep into the 21st century. The University, with its strong financial foundation, is poised to serve as a driving force for Wyoming's economic future.

There is no question that the most important part of that picture will be the ongoing process for the Academic Plan that will guide UW for the years from 2004 to 2009. UW's planning process has matured considerably from the beginning of the first cycle of planning in 1999; the level of engagement is more serious and our thinking is more sophisticated. Our academic programs have come to understand that, notwithstanding the broad obligations of our land grant mission, focused strength and interdisciplinary cooperation around critical themes will make us a more effective institution.

As the University completes the next cycle of academic planning this year, we will also begin the next cycle of Support Services Planning, which will take place in 2004 and 2005. In addition, we will move forward with the exciting process of implementing a critical third piece of our planning structure—the Capital Facilities Plan, completed last year. We will also begin the initial steps necessary to implement the Strategic Plan for Intercollegiate Athletics. Planning at UW is not an "event" but an ongoing process and it will have a significant impact on our financial future.

It is safe to say that we have institutionalized our planning processes to assure that we will always be looking ahead and thinking about how to best position the University to serve our students and our state. These processes have been important, both internally and externally. Our plans confirm that we know where we're going, and each tells us how we're going to get there. This clear-headed sense of direction has won the confidence of our elected officials, and it has inspired our donors.

There are many things that don't cost money that we can do to improve the quality and effectiveness of our university. However, when it comes to paying competitive market salaries to hire and retain the best faculty and staff, to renovating and constructing facilities, and to building scholarship endowments to help our students, money is usually a big part of the answer. For these reasons, we need to continue our efforts to convince our elected officials (principally the Governor and the State Legislature) and our private benefactors that the University represents a sound investment of their dollars.

We will return to Cheyenne next spring for the next regular budget session, seeking funds to maintain the competitiveness of faculty and staff salaries and health benefits, to address our continuing needs for major maintenance funding for our buildings, and to begin to address the needs articulated in the Strategic Plan for Athletics.

Because this is a large institution with many needs, it is often not fully appreciated just how good our legislative support has been over the past several years. In the last session alone, we received $12.5 million in state funds to renovate the old Biochemistry building to house the College of Health Sciences, $2.8 million for major building maintenance, a major infusion of funds to offer health benefits to the family members of our employees, and $5.2 million in bonding support to build the Wyoming Technology Business Incubator if we are able to raise $3.2 million in private or federal funds.

In the preceding biennium, we completed one of the most successful legislative sessions in the University's history, garnering continuing support of $35.3 million for employee compensation and campus utilities.

Consider the significance of these appropriations in the national context of higher education today. In Wyoming, over the fiscal years of 2002 and 2003, support for all of higher education (including the University and community colleges) increased by 17.2%. The national average, including Wyoming, was 1.2%, with 13 states reporting net budget reductions. For the 2004 fiscal year, it is estimated that 20 states will face higher education budgets reductions, with some of these reductions as large as 20%.

From our private donors, we will continue to look for help in completing the $125 million *DISTINCTION* Campaign, which as of today, stands at $98.7 million with almost two years yet to go. And, notably, the $98.7 million that we have raised to date does <u>not</u> include the $30 million state matching fund created by legislative action in 2001. In less than half the time authorized by law, the University and its Foundation raised major private gifts for every dollar of the $30 million dollar match, bringing our Campaign total to nearly $130 million thus far. The Trustees have authorized the President to seek an additional $20 million in state matching funds, in the next legislative session. We have a great many private donors who found the state matching program a great incentive for making large gifts to the University, thereby doubling the impact of their personal investment in the future of UW.

In sum, whether the dollars being provided are public or private, our supporters see us as a good investment. And that perception is not created just by what the President does or by what our public relations staff is able to produce: it is the result of the great work of the faculty and staff in our classrooms, laboratories, and libraries, in our many support units, and in the athletic arena that makes the difference. And, in the end, the accomplishments of our students and alumni inspire our donors and our elected officials to provide us with the resources we need to do this important work.[1]

In addition to the challenges facing us in the area of competitive faculty and staff salaries and benefits, flat support services budgets, increasing utility costs and an inability to keep pace with funding needs for the libraries' collection development budget will be issues of concern for management in the near future.

Although the economic outlook for investment returns is somewhat brighter than has been experienced the last several years, management is cautiously optimistic about expected total returns in fiscal year 2003. Earnings on endowments support numerous faculty positions, scholarships and other programs, and the University will continue to employ a long-term investment strategy to maximize total return at an appropriate level of risk, while closely monitoring endowment spending policies to determine the extent distributions should be reduced to reflect lower investment return expectations.

While it is not possible to predict future economic conditions and their ultimate effect on operations of the institution, management believes that the University of Wyoming's financial condition is strong enough to weather economic uncertainties. The University takes seriously its role of financial stewardship and works hard to manage its financial resources effectively.

[1] Remarks by Philip L. Dubois, President, University of Wyoming, Sixth Annual University of Wyoming Convocation, September 18, 2003, (Economic Outlook paragraphs 1-12).

**UNIVERSITY OF WYOMING**

**STATEMENTS OF NET ASSETS**
**JUNE 30, 2003 and 2002**

| **ASSETS** | **2003** | 2002 |
|---|---|---|
| Current Assets | | |
| Cash and cash equivalents (Note 2) | **$ 30,293,655** | $ 42,592,782 |
| Accounts receivable, net (Note 3) | **13,041,078** | 8,781,035 |
| Receivable from State of Wyoming | **635,905** | 669,538 |
| Investments (Note 2) | **71,459,131** | 70,491,568 |
| Interest receivable | **199,646** | 461,215 |
| Current portion of student loans receivable, net (Note 3) | **3,931,337** | 3,595,996 |
| Inventories | **4,028,311** | 3,159,420 |
| Prepaid expenses | **1,114,149** | 1,204,482 |
| **Total current assets** | **124,703,212** | 130,956,036 |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents (Note 2) | **2,150,488** | 1,713,302 |
| Investments (Note 2) | **89,730,480** | 84,526,196 |
| Prepaid expenses | **520,775** | 450,954 |
| Loans to students, net (Note 3) | **15,469,346** | 15,352,430 |
| Capital assets, net of accumulated depreciation (Note 4) | **242,238,842** | 228,155,854 |
| **Total noncurrent assets** | **350,109,931** | 330,198,736 |
| **Total assets** | **474,813,143** | 461,154,772 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Payroll and related liabilities | **15,167,162** | 13,330,090 |
| Accounts payable and accrued liabilities | **6,115,371** | 5,740,308 |
| Deferred revenue | **8,005,521** | 7,112,631 |
| Deposits held in custody for others | **5,147,061** | 3,343,046 |
| Accrued compensated absences | **4,254,461** | 3,731,158 |
| Other post-employment benefits (Note 9) | **462,045** | 417,091 |
| Current portion of revenue bonds payable (Note 5) | **1,892,056** | 4,832,969 |
| Current portion of capital lease obligations (Note 5) | **207,512** | 215,881 |
| **Total current liabilities** | **41,251,189** | 38,723,174 |
| Noncurrent Liabilities (Note 5) | | |
| Deferred revenue | **-** | 80,000 |
| Accrued compensated absences | **4,254,462** | 3,731,158 |
| Deposits held in custody for others | **10,023,956** | 12,397,916 |
| Other post-employment benefits (Note 9) | **5,601,570** | 1,223,056 |
| Due to State of Wyoming | **425,292** | 425,292 |
| Revenue bonds payable | **26,882,460** | 28,665,519 |
| Capital lease obligations | **2,225,412** | 2,440,281 |
| U.S. Government loans refundable | **6,652,435** | 6,458,646 |
| **Total noncurrent liabilities** | **56,065,587** | 55,421,868 |
| **Total liabilities** | **97,316,776** | 94,145,042 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | **211,031,402** | 197,189,875 |
| Restricted for | | |
| Nonexpendable | **70,823,625** | 61,602,153 |
| Expendable: | | |
| Scholarships, research, instruction and other | **19,360,289** | 11,590,397 |
| Loans | **17,823,531** | 28,036,458 |
| Capital projects | **1,748,751** | 4,708,375 |
| Unrestricted | **56,708,769** | 63,882,472 |
| **Total net assets** | **$ 377,496,367** | $367,009,730 |

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**
**Years Ended June 30, 2003 and 2002**

| | **2003** | 2002 |
|---|---|---|
| Operating revenues (Note 11): | | |
| Tuition and fees (net of scholarship allowances 2003 $12,531,123; 2002 $11,315,673) | **$ 27,521,785** | $ 25,893,552 |
| Federal appropriations | **3,925,049** | 3,081,679 |
| Federal grants and contracts | **40,129,625** | 27,502,087 |
| State and local grants and contracts | **11,356,799** | 10,571,052 |
| Nongovernmental grants and contracts | **3,408,022** | 4,259,230 |
| Mineral royalty | **13,365,000** | 13,365,000 |
| Sales and services of educational departments | **7,914,708** | 5,627,470 |
| Auxiliary enterprise charges (net of scholarship allowances 2003 $3,237,936; 2002 $2,846,254) | **26,968,928** | 23,165,978 |
| Interest earned on loans to students | **453,634** | 238,517 |
| Other operating revenues | **1,520,431** | 2,376,268 |
| **Total operating revenues** | **136,563,981** | 116,080,833 |
| Operating expenses: | | |
| Instruction | **87,768,584** | 78,304,645 |
| Research | **34,255,939** | 31,745,546 |
| Public service | **22,458,228** | 18,605,248 |
| Academic support | **16,433,935** | 15,732,938 |
| Student services | **9,334,417** | 9,974,108 |
| Institutional support | **22,478,282** | 20,323,142 |
| Operation and maintenance of plant | **18,582,684** | 16,845,260 |
| Scholarships | **7,116,420** | 7,234,717 |
| Auxiliary enterprises | **39,117,191** | 32,294,275 |
| Depreciation | **13,667,844** | 13,437,281 |
| **Total operating expenses** | **271,213,524** | 244,497,160 |
| **Operating (loss)** | **(134,649,543)** | (128,416,327) |
| Nonoperating revenues (expenses): | | |
| State appropriations | **123,024,882** | 109,686,440 |
| Gifts (Note 7) | **8,868,525** | 12,160,210 |
| Investment income | **6,264,327** | 1,737,480 |
| Interest expense | **(1,650,469)** | (1,459,567) |
| Other nonoperating revenues (expenses) | **(595,155)** | (51,311) |
| **Net nonoperating revenues** | **135,912,110** | 122,073,252 |
| **Gain (loss) before other revenues, expenses, gains and losses** | **1,262,567** | (6,343,075) |
| State capital appropriations | **125,000** | - |
| Additions to permanent endowments | **9,233,259** | 5,149,698 |
| Other (deductions), net | **(134,189)** | - |
| **Net increase (decrease) in net assets** | **10,486,637** | (1,193,377) |
| Net assets: | | |
| Net assets - beginning of year | **367,009,730** | 368,203,107 |
| Net assets - end of year | **$ 377,496,367** | $ 367,009,730 |

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING**

**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2003 and 2002**

| | 2003 | 2002 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Tuition, fees and grants received | **$ 133,712,737** | $ 121,061,362 |
| Payments to employees and fringe benefits | **(171,906,963)** | (154,601,354) |
| Payments to vendors and suppliers | **(71,999,985)** | (65,501,481) |
| Payments for scholarships | **(7,116,420)** | (7,234,717) |
| Loans issued to students | **(3,683,103)** | (3,808,056) |
| Collection of loans to students | **3,273,530** | 2,704,604 |
| Other receipts | **15,364,806** | 25,210,581 |
| Other payments | **(15,963,750)** | (26,830,657) |
| **Net cash (used in) operating activities** | **(118,319,148)** | (108,999,718) |
| Cash Flows from Noncapital Financing Activities | | |
| State appropriations | **123,058,515** | 112,302,605 |
| Gifts for other than capital purposes | **17,722,198** | 17,083,973 |
| **Net cash provided by noncapital financing activities** | **140,780,713** | 129,386,578 |
| Cash Flows from Investing Activities | | |
| Purchases of investments | **(330,737,530)** | (277,748,384) |
| Proceeds from sales and maturities of investments | **328,305,108** | 261,489,870 |
| Interest received on investments | **2,796,443** | 7,575,979 |
| **Net cash provided by (used in) investing activities** | **364,021** | (8,682,535) |
| Cash Flows from Capital and Related Financing Activities | | |
| Cash paid for capital assets | **(28,357,852)** | (20,632,340) |
| Proceeds from sale of capital assets | **143,004** | 123,561 |
| Capital appropriations received | **125,000** | - |
| Proceeds of capital debt | **4,423,997** | - |
| Repayments of capital debt and leases | **(9,371,207)** | (5,134,660) |
| Interest paid on capital debt and leases | **(1,650,469)** | (1,874,043) |
| **Net cash (used in) capital and related financing activities** | **(34,687,527)** | (27,517,482) |
| **Net (decrease) in cash and cash equivalents** | **(11,861,941)** | (15,813,157) |
| Cash and cash equivalents: | | |
| Beginning of year | **44,306,084** | 60,119,241 |
| End of year | **$ 32,444,143** | $ 44,306,084 |

Continued

**UNIVERSITY OF WYOMING**

**STATEMENTS OF CASH FLOWS (Continued)**
**Years Ended June 30, 2003 and 2002**

| | **2003** | 2002 |
|---|---|---|
| Reconciliation of Operating (Loss) to Net Cash | | |
| (Used in) Operating Activities | | |
| Operating (loss) | **$ (134,649,543)** | $ (128,416,327) |
| Adjustments to reconcile operating (loss) to net cash (used in) operating activities: | | |
| Depreciation expense | **13,667,844** | 13,437,281 |
| Provision for uncollectible loans and write-offs | **(42,684)** | 1,819,403 |
| Miscellaneous nonoperating income | **(356,977)** | 19,239 |
| Changes in assets and liabilities: | | |
| Receivables, net | **(3,880,458)** | (1,538,841) |
| Inventories | **(868,891)** | 330,898 |
| Prepaid expenses | **20,512** | 1,772,534 |
| Notes receivable, net | **(409,573)** | (1,103,452) |
| Accounts payable and accrued liabilities | **6,717,281** | 1,380,087 |
| Deferred revenue | **812,890** | 4,713,195 |
| Deposits held in custody for others | **(569,945)** | (1,610,335) |
| U.S. Government loans refundable | **193,789** | (28,979) |
| Accrued compensated absences | **1,046,607** | 225,579 |
| **Total adjustments** | **16,330,395** | 19,416,609 |
| **Net cash (used in) operating activities** | **$ (118,319,148)** | $ (108,999,718) |
| Noncash Investing, Capital, and Financing Activities | | |
| Fixed assets acquired by incurring capital lease obligations | **$ -** | $ 59,573 |
| Assets acquired by gift | **5,070** | - |
| Change in fair value of investments | **4,258,599** | (6,939,020) |

See Notes to Financial Statements.

## Note 1. Summary of Significant Accounting Policies

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

Reporting entity: The University is a component unit of the State of Wyoming and is included in the general-purpose 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. 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.

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 Financial Accounting Standards Board (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.

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

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

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

Capital assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than two years. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. 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, 15 to 30 years for infrastructure and land improvements, 10 years for library materials, and 3 to 7 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.

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 vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

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

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

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

*Restricted net assets – 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.

*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.

*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, such as state appropriations and investment income.

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.

New pronouncements: In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14 and provides additional guidance to determine whether certain organizations for which the University is not financial accountable should be reported as component units based on the nature and significance of their relationship with the University. Generally, it requires reporting as a component unit, an organization that raises and holds economic resources for the direct benefit of the University. GASB Statement No. 39 is effective for the year ending June 30, 2004.

The University is studying the provisions of GASB Statement No. 39 and has not yet determined what effect the Statement will have on the presentation of the financial statements.

## 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. The University's deposits were undercollateralized five times during the year. On June 27, 2003, the University was undercollateralized by approximately $5,000,000.

At June 30, 2003, the University had $23,545,974 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, 2003, the carrying amount of the University's deposits, other than the amounts on deposit with the State Treasurer, was $8,898,169, and the bank balances were $12,209,812, 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 | | | Carrying Value |
|---|---|---|---|---|
| | I | II | III | Bank Balance |
| Deposits | $ 300,000 | $ 9,509,812 | $ - | $ 9,809,812 |
| Certificates of deposit | - | 2,400,000 | - | 2,400,000 |
| | $ 300,000 | $ 11,909,812 | $ - | $ 12,209,812 |

The University has authority to invest endowment funds in equity or nonequity investments. At June 30, 2003, these investments are categorized below to give an indication of the level of credit risk assumed by the University.

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, 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 | Fair |
|---|---|---|---|---|---|
| | I | II | III | Amount | Value |
| Stocks, bonds and debentures | $ 39,937,916 | $ - | $ - | $ 39,937,916 | $ 39,937,916 |
| U.S. Government securities | 4,483,960 | 74,556,881 | - | 79,040,841 | 78,504,214 |
| Land | - | - | - | 1,243,890 | 5,447,028 |
| Treasurer | - | - | - | 19,751,610 | 19,751,610 |
| Other | - | - | - | 18,815,354 | 18,815,354 |
| | $ 44,421,876 | $ 74,556,881 | $ - | $158,789,611 | $162,456,122 |

The University invests in common stocks and bonds of publicly-traded companies, and U.S. Government obligations. 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 risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

### Note 3. Loans and Accounts Receivable

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 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, or a residency program.

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

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

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

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

| | **2003** | 2002 |
|---|---|---|
| Accounts receivable | **$ 13,813,535** | $ 9,286,192 |
| Less allowance for doubtful accounts | **(772,457)** | (505,157) |
| Accounts receivable, net | **$ 13,041,078** | $ 8,781,035 |

Included in the amounts above is $8,381,000 and $6,632,000, which is due from the U.S. Government at June 30, 2003 and 2002, respectively.

## Note 4. Capital Assets

Following are the changes in capital assets for the years ended June 30, 2003 and 2002:

| | Balance June 30, 2002 | Additions | Transfers | Retirements | Balance June 30, 2003 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 3,672,472 | $ 1,420,722 | $ - | $ - | $ 5,093,194 |
| Land improvements | 2,310,209 | - | - | - | 2,310,209 |
| Construction in progress | 24,965,757 | 16,596,547 | (23,315,130) | - | 18,247,174 |
| **Total capital assets not being depreciated** | $ 30,948,438 | $ 18,017,269 | $ (23,315,130) | $ - | $ 25,650,577 |
| Other capital assets: | | | | | |
| Infrastructure | $ 11,931,992 | $ 95,583 | $ - | $ - | $ 12,027,575 |
| Land improvements | 3,484,467 | 371,107 | - | - | 3,855,574 |
| Buildings | 275,625,076 | 1,882,149 | 23,315,130 | (315,343) | 300,507,012 |
| Furniture, fixtures and equipment | 66,553,233 | 5,142,959 | - | (1,411,403) | 70,284,789 |
| Library materials | 55,207,608 | 2,757,136 | - | - | 57,964,744 |
| **Total other capital assets** | 412,802,376 | 10,248,934 | 23,315,130 | (1,726,746) | 444,639,694 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (8,688,281) | (552,751) | - | - | (9,241,032) |
| Land improvements | (2,299,307) | (143,464) | - | - | (2,442,771) |
| Buildings | (111,250,060) | (5,511,096) | - | 28,223 | (116,732,933) |
| Furniture, fixtures and equipment | (49,713,183) | (4,985,224) | - | 1,183,153 | (53,515,254) |
| Library materials | (43,644,130) | (2,475,309) | - | - | (46,119,439) |
| **Total accumulated depreciation** | (215,594,961) | (13,667,844) | - | 1,211,376 | (228,051,429) |
| **Other capital assets, net** | $ 197,207,415 | $ (3,418,910) | $ 23,315,130 | $ (515,370) | $ 216,588,265 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $ 30,948,438 | $ 18,017,269 | $ (23,315,130) | $ - | $ 25,650,577 |
| Other capital assets, at cost | 412,802,376 | 10,248,934 | 23,315,130 | (1,726,746) | 444,639,694 |
| **Total cost of capital assets** | 443,750,814 | 28,266,203 | - | (1,726,746) | 470,290,271 |
| Less accumulated depreciation | (215,594,961) | (13,667,844) | - | 1,211,376 | (228,051,429) |
| **Capital assets, net** | $ 228,155,853 | $ 14,598,359 | $ - | $ (515,370) | $ 242,238,842 |

| | Balance June 30, 2001 | Additions | Transfers | Retirements | Balance June 30, 2002 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 3,672,472 | $ - | $ - | $ - | $ 3,672,472 |
| Land improvements | 2,280,468 | 29,741 | - | - | 2,310,209 |
| Construction in progress | 17,533,334 | 10,464,552 | (3,032,129) | - | 24,965,757 |
| **Total capital assets not being depreciated** | $ 23,486,274 | $ 10,494,293 | $ (3,032,129) | $ - | $ 30,948,438 |
| Other capital assets: | | | | | |
| Infrastructure | $ 11,868,427 | $ - | $ 63,565 | $ - | $ 11,931,992 |
| Land improvements | 2,755,782 | 728,685 | - | - | 3,484,467 |
| Buildings | 271,253,381 | 1,403,131 | 2,968,564 | - | 275,625,076 |
| Furniture, fixtures and equipment | 62,775,647 | 5,579,648 | - | (1,802,062) | 66,553,233 |
| Library materials | 52,362,775 | 2,844,833 | - | - | 55,207,608 |
| **Total other capital assets** | 401,016,012 | 10,556,297 | 3,032,129 | (1,802,062) | 412,802,376 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | (8,093,424) | (594,857) | - | - | (8,688,281) |
| Land improvements | (2,182,837) | (116,470) | - | - | (2,299,307) |
| Buildings | (105,926,126) | (5,323,934) | - | - | (111,250,060) |
| Furniture, fixtures and equipment | (46,329,763) | (4,991,371) | - | 1,607,951 | (49,713,183) |
| Library materials | (41,233,481) | (2,410,649) | - | - | (43,644,130) |
| **Total accumulated depreciation** | (203,765,631) | (13,437,281) | - | 1,607,951 | (215,594,961) |
| **Other capital assets, net** | $197,250,381 | $ (2,880,984) | $ 3,032,129 | $ (194,111) | $197,207,415 |
| Capital asset summary: | | | | | |
| Capital assets not being depreciated | $ 23,486,274 | $ 10,494,293 | $ (3,032,129) | $ - | $ 30,948,438 |
| Other capital assets, at cost | 401,016,012 | 10,556,297 | 3,032,129 | (1,802,062) | 412,802,376 |
| **Total cost of capital assets** | 424,502,286 | 21,050,590 | - | (1,802,062) | 443,750,814 |
| Less accumulated depreciation | (203,765,631) | (13,437,281) | - | 1,607,951 | (215,594,961) |
| **Capital assets, net** | $220,736,655 | $ 7,613,309 | $ - | $ (194,111) | $228,155,853 |

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

Long-term liability activity for the years ended June 30, 2003 and 2002 was as follows:

| | Balance June 30, 2002 | Additions | Reductions | Balance June 30, 2003 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds and capital lease obligations: | | | | | |
| Revenue bonds payable | $ 33,498,488 | $ 4,423,997 | $ 9,147,969 | $ 28,774,516 | $ 1,892,056 |
| Capital lease obligations | 2,656,162 | - | 223,238 | 2,432,924 | 207,512 |
| **Total bonds and capital leases** | 36,154,650 | 4,423,997 | 9,371,207 | 31,207,440 | 2,099,568 |
| Other liabilities: | | | | | |
| Accrued compensated absences | 7,462,316 | 5,851,567 | 4,804,960 | 8,508,923 | 4,254,461 |
| Deposits held in custody for others | 15,740,964 | - | 569,947 | 15,171,017 | 5,147,061 |
| Other post-employment benefits | 1,640,147 | 5,125,896 | 702,428 | 6,063,615 | 462,045 |
| Due to State of Wyoming | 425,292 | - | - | 425,292 | - |
| U.S. Government loans refundable | 6,458,646 | 193,789.00 | - | 6,652,435 | - |
| **Total other liabilities** | 31,727,365 | 11,171,252 | 6,077,335 | 36,821,282 | 9,863,567 |
| **Total long-term liabilities** | $ 67,882,015 | $ 15,595,249 | $ 15,448,542 | $ 68,028,722 | $ 11,963,135 |

| | Balance June 30, 2001 | Additions | Reductions | Balance June 30, 2002 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Bonds and capital lease obligations: | | | | | |
| Revenue bonds payable | $ 38,386,457 | $ - | $ 4,887,969 | $ 33,498,488 | $ 4,832,969 |
| Capital lease obligations | 2,843,281 | 59,573 | 246,692 | 2,656,162 | 215,881 |
| **Total bonds and capital leases** | 41,229,738 | 59,573 | 5,134,661 | 36,154,650 | 5,048,850 |
| Other liabilities: | | | | | |
| Deferred revenue | 2,479,435 | 6,666,293 | 1,953,097 | 7,192,631 | 7,112,631 |
| Other post-employment benefits | 1,744,427 | 430,473 | 534,753 | 1,640,147 | 417,091 |
| Accrued compensated absences | 7,236,736 | 5,164,119 | 4,938,539 | 7,462,316 | 3,731,158 |
| Deposits held in custody for others | 17,351,298 | - | 1,610,334 | 15,740,964 | 3,343,046 |
| Due to State of Wyoming | 425,292 | - | - | 425,292 | - |
| U.S. Government loans refundable | 6,487,626 | - | 28,980 | 6,458,646 | - |
| **Total other liabilities** | 35,724,814 | 12,260,885 | 9,065,703 | 38,919,996 | 14,603,926 |
| **Total long-term liabilities** | $ 76,954,552 | $ 12,320,458 | $ 14,200,364 | $ 75,074,646 | $ 19,652,776 |

Revenue bonds payable represent the remaining principal payments on bonds used for construction of facilities. Revenue from the operations of residence halls, apartments, cafeterias, dining halls, other food service facilities, bookstore and telecommunications; income from other sales and services; income from the University Permanent Land Fund and mineral royalties from the University Government Royalty Fund are pledged for the Facilities Improvement and Refunding Revenue Bonds Series 1999, the Facilities Improvement Revenue Bonds Series 2001, and the Facilities Refunding Revenue Bonds Series 2003. The proceeds of the 2003 Facilities Refunding Revenue Bonds were used to redeem the 1993 Facilities Revenue Bonds. The refunding resulted in a gain of approximately $10,000 and an estimated reduction in cash flow to service the debt of approximately $520,000. The economic gain on the refunding is approximately $345,000.

Revenue bonds payable consist of the following at June 30, 2003:

| | Authorized and Issued | Interest Rates | Bonds Outstanding at June 30, 2003 |
|---|---|---|---|
| Facilities Improvement and Refunding Revenue Bonds: | | | |
| Series 1999 | 18,760,000 | 4.55-5.5% | 15,400,000 |
| Facilities Improvement Revenue Bonds: | | | |
| Series 2001 | 9,120,000 | 4.0-5.5% | 8,780,000 |
| Facilities Refunding Revenue Bonds: | | | |
| Series 2003 | 4,340,000 | 2.0-3.5% | 4,340,000 |
| | 32,220,000 | | 28,520,000 |
| Original issue discount/premium | | | 254,516 |
| | | | 28,774,516 |

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

| | Principal | Interest |
|---|---|---|
| 2004 | $ 1,875,000 | $ 1,382,439 |
| 2005 | 1,985,000 | 1,270,958 |
| 2006 | 2,085,000 | 1,183,048 |
| 2007 | 2,170,000 | 1,088,823 |
| 2008 | 2,305,000 | 989,040 |
| 2009-2013 | 8,380,000 | 3,669,945 |
| 2014-2018 | 7,270,000 | 1,890,463 |
| 2019-2020 | 2,450,000 | 164,950 |
| | $ 28,520,000 | $ 11,639,666 |

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 7.5% 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 9% 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 7% interest rate.

The following is a schedule of future minimum lease payments due under the capital leases, together with the net present value of the minimum lease payments, as of June 30, 2003:

| | Airplane | Scoreboards | Other Equipment | Total |
|---|---|---|---|---|
| 2004 | $ 144,920 | $ 215,247 | $ 15,917 | $ 376,084 |
| 2005 | 144,920 | 215,247 | 15,917 | 376,084 |
| 2006 | 144,920 | 215,247 | 9,285 | 369,452 |
| 2007 | 144,920 | 215,247 | - | 360,167 |
| 2008 | 144,920 | 215,247 | - | 360,167 |
| 2009-2013 | 724,600 | 466,369 | - | 1,190,969 |
| 2014-2018 | 285,989 | - | - | 285,989 |
| **Total minimum lease payments** | 1,735,189 | 1,542,604 | 41,119 | 3,318,912 |
| Less amount representing interest | (472,958) | (408,794) | (4,236) | (885,988) |
| **Net present value of minimum lease payments** | $1,262,231 | $ 1,133,810 | $ 36,883 | $ 2,432,924 |

The cost of assets acquired under capital lease is $3,186,681. Accumulated amortization as of June 30, 2003 is $1,308,912. Amortization of leased assets is included in depreciation expense.

## 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, 2003, 2002 and 2001:

| | **2003** | 2002 | 2001 |
|---|---|---|---|
| Unpaid claims, beginning of fiscal year | **$ 255,020** | $ 255,020 | $ 255,000 |
| Claims incurred | **213,875** | 307,842 | 202,424 |
| Claims paid | **(213,875)** | (307,842) | (202,404) |
| Unpaid claims liability, end of fiscal year | **$ 255,020** | $ 255,020 | $ 255,020 |

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 up to $335 a month for insurance premiums for individuals and up to $745 for family participants in the 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 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 years 2003 and 2002 were $1,305,691 and $1,226,845, respectively.

Wyoming Statute §27-3-101 created the Unemployment Compensation Act. The University pays the State expense reimbursement for unemployment claims brought against the University. Changes in the balance of claims liability during fiscal years 2003, 2002 and 2001 are as follows for the University's participation in the Unemployment Compensation Act program:

| | **2003** | 2002 | 2001 |
|---|---|---|---|
| Unpaid claims, beginning of fiscal year | **$ -** | $ - | $ - |
| Claims incurred | **146,384** | 74,284 | 73,596 |
| Claims paid | **(146,384)** | (74,284) | (73,596) |
| Unpaid claims liability, end of fiscal year | **$ -** | $ - | $ - |

## Note 7. Related Organization and Party

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.

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 years ended June 30, 2003 and 2002, approximately $7,700,000 and $6,500,000, respectively, were transferred to the University in support of its activities and were reflected in the University's financial statements as nonoperating revenue.

## 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 $31,224,000. As of June 30, 2003, the remaining commitment to complete these projects totaled approximately $2,056,000. These completion costs will be financed by a combination of State appropriations, private gifts and grants, and student fees.

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 the employee and employer portion funded primarily through appropriations from the State Legislature. For the years ended June 30, 2000, 2001, 2002 and 2003, the University's contributions to the WRS were $4,573,268, $4,663,409, $4,546,166 and $5,191,412, 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 the employee portion. Contributions are funded as accrued and are immediately vested. The contributions for the years ended June 30, 2000, 2001, 2002 and 2003 were $6,041,600, $6,662,555, $6,989,770 and $8,210,546, respectively.

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.

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 an amount equal to the present value of the future payments discounted at 8%. Total liability as of June 30, 2003 is $239,189.

Presented below is a summary of installment distributions due former employees:

| | Termination Benefits Due Former Employees |
|---|---|
| Fiscal year ending: | |
| 2004 | $ 128,045 |
| 2005 | 66,781 |
| 2006 | 31,447 |
| 2007 | 9,587 |
| 2008 | 3,329 |
| | $ 239,189 |

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 $335 a month for individuals and up to $745 a month for family participants in the plan. The premium is paid by the University as it is incurred on a monthly basis. Total amounts charged to expense for the years ended June 30, 2002 and 2003 was $161,752 and $4,266,450, respectively, and total liability accrued for at June 30, 2002 and 2003 is $1,161,952 and $5,824,426, respectively.

## Note 10. Natural Classifications with Functional Classifications

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

| | **2003** | | | | |
|---|---|---|---|---|---|
| | Natural Classification | | | | |
| Functional Classification | Compensation and Benefits | Supplies and Services | Depreciation | Scholarships | Total |
| Instruction | $ 74,650,289 | $ 13,118,295 | $ - | $ - | $ 87,768,584 |
| Research | 23,759,604 | 10,496,335 | - | - | 34,255,939 |
| Public service | 16,956,705 | 5,501,523 | - | - | 22,458,228 |
| Academic support | 13,000,074 | 3,433,861 | - | - | 16,433,935 |
| Student services | 6,030,568 | 3,303,849 | - | - | 9,334,417 |
| Institutional support | 19,393,742 | 3,084,540 | - | - | 22,478,282 |
| Operation of plant | 8,512,532 | 10,070,152 | - | - | 18,582,684 |
| Scholarships | - | - | - | 7,116,420 | 7,116,420 |
| Auxiliary enterprises | 16,911,984 | 22,205,207 | - | - | 39,117,191 |
| Depreciation | - | - | 13,667,844 | - | 13,667,844 |
| **Total expenses** | $179,215,498 | $ 71,213,762 | $ 13,667,844 | $ 7,116,420 | $271,213,524 |

| | 2002 | | | | |
|---|---|---|---|---|---|
| | Natural Classification | | | | |
| Functional Classification | Compensation and Benefits | Supplies and Services | Depreciation | Scholarships | Total |
| Instruction | $ 66,420,365 | $ 11,884,280 | $ - | $ - | $ 78,304,645 |
| Research | 21,070,957 | 10,674,589 | - | - | 31,745,546 |
| Public service | 13,887,498 | 4,717,750 | - | - | 18,605,248 |
| Academic support | 11,721,465 | 4,011,472 | - | - | 15,732,937 |
| Student services | 5,101,515 | 4,872,594 | - | - | 9,974,109 |
| Institutional support | 16,116,753 | 4,206,389 | - | - | 20,323,142 |
| Operation of plant | 7,603,079 | 9,242,181 | - | - | 16,845,260 |
| Scholarships | - | - | - | 7,234,717 | 7,234,717 |
| Auxiliary enterprises | 13,696,175 | 18,598,100 | - | - | 32,294,275 |
| Depreciation | - | - | 13,437,281 | - | 13,437,281 |
| **Total expenses** | $155,617,807 | $ 68,207,355 | $ 13,437,281 | $ 7,234,717 | $244,497,160 |

## 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** | **2003** | 2002 |
|---|---|---|
| Assets: | | |
| Current assets | **$ 31,604,970** | $ 42,600,790 |
| Noncurrent assets | **799,233** | 732,728 |
| **Total assets** | **$ 32,404,203** | $ 43,333,518 |
| Liabilities: | | |
| Current liabilities | **$ 2,041,034** | $ 7,428,073 |
| Noncurrent liabilities | **336,885** | 149,904 |
| **Total liabilities** | **$ 2,377,919** | $ 7,577,977 |
| Net assets: | | |
| Invested in capital assets, net of related debt | **$ 233,890** | $ 254,152 |
| Restricted for maintenance required by bond resolution | **500,000** | 500,000 |
| Restricted for capital projects | **489,788** | 2,021,858 |
| Unrestricted | **28,802,606** | 32,979,531 |
| **Total net assets** | **$ 30,026,284** | $ 35,755,541 |

## UNIVERSITY OF WYOMING

## NOTES TO FINANCIAL STATEMENTS

| **Condensed Statement of Revenues, Expenses, and Changes in Net Assets** | **2003** | 2002 |
|---|---|---|
| Operating revenues: | | |
| Sales | **$ 13,865,884** | $ 12,243,155 |
| Rents and fees | **13,489,034** | 12,201,757 |
| Nonenterprise revenue | **14,265,000** | 14,265,000 |
| Miscellaneous | **265,172** | 221,730 |
| Total operating revenues | **41,885,090** | 38,931,642 |
| Operating expenses: | | |
| Operating expenses | **23,714,339** | 20,687,027 |
| Depreciation | **89,642** | 78,032 |
| Total operating expenses | **23,803,981** | 20,765,059 |
| **Operating income** | **18,081,109** | 18,166,583 |
| Nonoperating revenues, investment income | **2,256,959** | 3,618,547 |
| Nonoperating expenses and other items: | | |
| Interest on indebtedness | **1,655,067** | 1,874,042 |
| Retirement of indebtedness | **4,815,000** | 4,870,000 |
| Expanded for plant facilities | **6,061,954** | 6,656,645 |
| Mandatory transfers | **875,258** | 226,967 |
| Nonmandatory transfers | **12,660,046** | 6,991,376 |
| Total nonoperating expenses and other items | **26,067,325** | 20,619,030 |
| **Increase (decrease) in net assets** | **(5,729,257)** | 1,166,100 |
| Net assets, beginning of year | **35,755,541** | 34,589,441 |
| Net assets, end of year | **$ 30,026,284** | $ 35,755,541 |
| **Condensed Statement of Cash Flows** | | |
| Net cash provided by operating activities | **$ 18,503,872** | $ 21,487,624 |
| Net cash (used in) capital financing activities | **(18,677,915)** | (19,021,492) |
| Net cash from noncapital financing activities | **(13,535,306)** | (7,218,343) |
| Net cash provided by investing activities | **7,378,827** | 9,840,836 |
| **Net increase (decrease) in cash** | **(6,330,522)** | 5,088,625 |
| Cash and cash equivalents, beginning of year | **34,133,689** | 29,045,064 |
| Cash and cash equivalents, end of year | **$ 27,803,167** | $ 34,133,689 |