

UNIVERSITY OF WYOMING

THE BOND FUNDS

FINANCIAL REPORT

JUNE 30, 2005

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1
FINANCIAL STATEMENTS	
Statements of net assets	2
Statements of revenue, expenses and changes in net assets	3 and 4
Statements of cash flows	5
Notes to financial statements	6 – 16
SUPPLEMENTARY INFORMATION	
Schedule of net pledged revenue	17 – 19
Debt service requirements of the September 1, 1999, January 15, 2001, March 15, 2003, May 1, 2004, and May 13, 2005 bond resolutions	20 and 21
Schedule of insurance coverage (unaudited)	22 and 23
Statement of net assets: fund group perspective	24
Statement of revenue, expenses and changes in net assets: fund group perspective	25
INFORMATION REQUIRED BY BOND RESOLUTIONS	
Independent Auditor's Report on Debt Compliance	26



McGee, Hearne & Paiz, LLP

Certified Public Accountants and Consultants

314 West 18th Street - Cheyenne, WY - 82001

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Trustees of the
University of Wyoming
Laramie, Wyoming

We have audited the accompanying statements of net assets of certain Bond Funds (the "Bond Funds") of the University of Wyoming (the "University"), described in Note 1, as of June 30, 2005 and 2004, and the related statements of revenue, 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. 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.

As discussed in Note 1, the financial statements of the Bond Funds of the University of Wyoming are intended to present the financial position, and the changes in net assets and cash flows of certain activities for the purpose of complying with bond ordinance requirements. They do not purport to, and do not, present fairly the financial position of the University of Wyoming as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Bond Funds financial statements referred to above present fairly, in all material respects, the financial position of the Bond Funds as of June 30, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Bond Funds of the University taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the financial statements of the Bond Funds of the University and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees and management of the University of Wyoming, revenue bond investors, Financial Security Assurance, Inc., and Ambac Assurance Corporation and is not intended to be and should not be used by anyone other than these specified parties.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 5, 2005

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENTS OF NET ASSETS
June 30, 2005 and 2004**

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents (Note 9)	\$ 24,410,594	\$ 26,349,187
Accounts receivable, net (Note 4)	1,498,498	1,449,048
Accrued interest receivable	269,861	31,014
Inventories	2,835,357	2,238,613
Investments (Note 9)	18,273,718	10,040,460
Prepaid expenses	241,971	249,775
Total current assets	47,529,999	40,358,097
Noncurrent Assets		
Bond issuance costs, net of accumulated amortization	853,158	696,414
Equipment, net of accumulated depreciation (Note 2)	1,419,621	1,223,231
	2,272,779	1,919,645
Total assets	49,802,778	42,277,742
LIABILITIES AND NET ASSETS		
Current Liabilities		
Unexpended portion - revenue bonds payable (Note 3)	20,952,206	10,335,006
Accounts payable (Note 4)	1,201,515	707,400
Due to other University departments	3,381	160,631
Accrued compensated absences	401,299	347,322
Other accrued liabilities (Note 7)	581,335	595,000
Accrued bond interest payable	261,256	190,916
Deferred income	42,304	23,357
Total current liabilities	23,443,296	12,359,632
Noncurrent Liabilities		
Accrued compensated absences	401,299	347,322
Total liabilities	23,844,595	12,706,954
NET ASSETS		
Invested in equipment	1,419,621	1,223,231
Restricted for maintenance required by bond resolution	500,000	500,000
Restricted for capital projects	1,091,287	659,927
Unrestricted	22,947,275	27,187,630
Total net assets	\$ 25,958,183	\$ 29,570,788

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
Years Ended June 30, 2005 and 2004**

	2005	2004
Revenue and Other Additions		
Sales:		
Merchandise	\$ 15,670,975	\$ 15,291,526
Utilities	129,545	101,439
Rents and fees:		
Residence hall and apartment rent	8,660,121	8,342,763
Telecommunications	3,794,169	3,857,160
Fees and games	758,341	772,534
Student fees	1,261,601	1,023,393
Nonenterprise revenue:		
Government royalties (Note 4)	13,365,000	13,365,000
Indirect cost recovery	900,000	900,000
Miscellaneous other funds	282,297	188,841
Total operating revenues	44,822,049	43,842,656
Operating Expenses		
Cost of sales	8,497,810	8,376,803
Operating expenses:		
Administrative assessment	1,274,191	1,144,436
Advertising	157,379	157,437
Contractual services	47,758	33,547
Credit card charges	122,122	105,717
Garbage removal	39,000	40,000
Insurance	304,821	273,343
Laundry	40,425	53,472
Parts and supplies	882,014	952,512
Rent	125,503	121,020
Repairs and maintenance	823,632	525,517
Salaries	6,658,766	6,564,678
Salaries - benefits	2,343,629	2,149,743
Support services	1,995,767	2,217,447
Travel	73,675	73,629
Utilities	2,548,429	2,570,106
Utility reimbursement	(109,300)	(80,711)
Miscellaneous	148,581	218,318
Balance forward	25,974,202	25,497,014

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS (Continued)
Years Ended June 30, 2005 and 2004**

	2005	2004
Operating Expenses (continued)		
Balance forwarded	\$ 25,974,202	\$ 25,497,014
Amortization of bond issuance costs	54,628	46,038
Depreciation	387,523	296,053
Total operating expenses	26,416,353	25,839,105
Operating income	18,405,696	18,003,551
Nonoperating Revenues (Expenses) and Other Items		
Investment income:		
Plant funds	255,891	30,185
Other funds	2,487,884	1,882,329
Gain (loss) on sale of assets	1,082	(3,148)
Interest on indebtedness	(1,952,699)	(1,387,048)
Retirement of indebtedness	(1,985,000)	(1,875,000)
Expended for plant facilities	(5,998,537)	(90,307)
Mandatory transfers	(859,875)	(1,154,572)
Nonmandatory transfers (Note 5)	(13,967,047)	(15,861,486)
Total nonoperating (expenses)	(22,018,301)	(18,459,047)
(Decrease) in net assets	(3,612,605)	(455,496)
Net Assets		
Beginning of year	29,570,788	30,026,284
End of year	\$ 25,958,183	\$ 29,570,788

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2005 and 2004**

	2005	2004
Cash Flows from Operating Activities		
Sales of merchandise	\$ 15,632,594	\$ 15,166,084
Utilities revenues	129,545	101,439
Housing revenues	8,631,670	8,600,626
Telecommunications	3,824,834	3,842,751
Student fees	2,019,942	1,795,927
Government royalties	13,365,000	13,365,000
Indirect cost recovery	900,000	900,000
Payments to suppliers	(14,128,259)	(13,928,389)
Payments to employees and fringe benefits	(8,909,386)	(8,681,135)
Payments to other University funds	(3,089,525)	(3,190,988)
Other receipts	283,142	182,127
Net cash provided by operating activities	18,659,557	18,153,442
Cash Flows from Capital Financing Activities		
Bond proceeds and original issue premium	16,769,678	11,132,595
Bond proceeds expended	(6,152,478)	(797,589)
Retirement of indebtedness	(1,985,000)	(1,875,000)
Purchases of plant facilities	(5,998,537)	(90,307)
Interest paid on capital debt	(1,882,359)	(1,343,746)
Purchase of equipment	(583,913)	(1,296,086)
Proceeds from sale of equipment	1,082	7,821
Bond issuance costs paid	(211,372)	(177,109)
Net cash provided by (used in) capital financing activities	(42,899)	5,560,579
Cash Flows from Noncapital Financing Activities		
Net transfers to other University funds	(14,826,922)	(17,016,057)
Cash Flows from Investing Activities		
Investment income	2,504,929	1,881,500
Purchase of investments	(8,233,258)	(10,033,444)
Net cash (used in) investing activities	(5,728,329)	(8,151,944)
Net (decrease) in cash	(1,938,593)	(1,453,980)
Cash and Cash Equivalents		
Beginning of year	26,349,187	27,803,167
End of year	\$ 24,410,594	\$ 26,349,187
Reconciliation		
Operating income	\$ 18,405,696	\$ 18,003,551
Amortization of bond issuance costs	54,628	46,038
Depreciation expense	387,523	296,053
Change in operating assets and liabilities:		
Accounts receivable	(49,450)	(128,313)
Prepaid expenses	7,804	(50,330)
Inventory	(596,745)	45,281
Accounts payable	494,115	(490,675)
Due to other University departments	(157,250)	160,631
Accrued liabilities and deferred income	113,236	282,191
Other	-	(10,985)
Net cash provided by operating activities	\$ 18,659,557	\$ 18,153,442

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Note 1. The Reporting Entity, Description of Funds and Significant Accounting Policies

Reporting entity: The financial statements include certain assets, liabilities, net assets and activity related to the University of Wyoming Series September 1, 1999 Facilities Improvement and Refunding Revenue Bonds, the Series January 15, 2001 Facilities Improvement Revenue Bonds, the Series March 15, 2003 Facilities Refunding Revenue Bonds, the Series May 1, 2004 Facilities Improvement Revenue Bonds, and the Series May 13, 2005 Facilities Improvement Revenue Bonds (the “Bond Funds”).

The Bond Funds include operations from the following:

- The University Bookstore
- The Student Union
- Dining Service Facilities
- Residence Life Facilities
- Interest income on excess funds
- Government royalties
- Permanent land income
- Union - fees and games
- Utility and telecommunications income

The Bond Funds also include the following plant funds:

Project Acquisition Fund (unexpended funds): The Project Acquisition Funds were created to pay for all costs incidental to the financing and acquisition of the projects authorized by the bond resolutions.

Capital Fund (renewal and replacement fund): The Capital Fund, created by bond resolutions, is required to receive a minimum of 2% of net pledged revenue to maintain a continuing reserve of \$500,000.

Retirement of Indebtedness Funds: Reserve Fund – The Reserve Fund, created by bond resolutions, must be sufficient to fund the combined maximum annual principal and interest requirements of all first lien securities required to be paid from pledged revenue unless surety bonds are maintained to fund the reserve requirement. The surety bonds have been obtained by the University of Wyoming.

Financial statement presentation: The Bond Funds have adopted the financial statement presentation format required by Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35. Because the Bond Funds’ financial statements are prepared in compliance with bond agreements and include only certain assets, liabilities, and net assets of the University not all *provisions* of Statements No. 34 and No. 35 are applied to these financial statements. Specifically, intra-agency transactions have not been eliminated, and revenues from student fees and auxiliary enterprises have not been presented net of scholarships, discounts and allowances.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Basis of accounting: The financial statements of the Bond Funds of the University of Wyoming reflect only the assets, liabilities and operating activities that relate to the bond resolutions and do not include any State of Wyoming funded activities. Since the bond resolutions do not require presentation of the investment in buildings and the associated bonds payable, they are not included within the accompanying statement of net assets. The statement of revenues, expenses and changes in net assets includes expenditures for plant facilities, debt service payments and transfers to and from other agencies. The accompanying financial statements are, therefore, not a complete presentation of the University of Wyoming.

For financial reporting purposes, the Bond Funds, like the University, is considered a special-purpose government engaged in business-type activities. Accordingly, the Bond Funds' 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.

The Bond Funds have not applied any Financial Accounting Standards Board pronouncements issued after November 30, 1989.

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

State statutes authorize investment in securities issued or guaranteed by the U.S. Treasury or agencies of the United States Government; bonds issued by Wyoming agencies or political subdivisions; corporate notes, bonds and debentures; commercial paper; banker's acceptances; loans specifically identified by statutes; and other securities specifically authorized by the legislature.

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

The Bond Funds account for its investment at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

All investments with original maturities of twelve months or less are accounted for at amortized cost.

Accounts receivable: Accounts receivable consists of fee charges to students, auxiliary enterprise services provided to students, faculty and staff, telecommunication charges to University departments, and government royalties. Accounts receivable are recorded net of estimated uncollectable amounts.

Inventories: Inventories are stated at the lower of cost (first-in, first-out) or market.

Bond issuance cost: Bond issuance costs are presented net of accumulated amortization. Bond issuance costs are amortized on a straight-line basis over the life of the related bonds.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Compensated absences for annual leave: University employees may accrue annual leave based on the length of service, subject to certain limitations regarding the amount which will be paid upon termination. The estimated accrued compensated absences related to annual leave earned by the Bond Funds' employees as of June 30, 2005 and 2004 were \$432,071 and \$385,968, respectively.

All vested vacation is recorded as an expense and a liability at the time the liability vests.

Net assets: The Bond Funds' net assets are classified as follows:

Invested in equipment: This represents the Bond Funds investment in equipment.

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

Unrestricted net assets: Unrestricted net assets represent resources derived from revenue sources as defined in the bond agreements. These resources are to be used for operation and maintenance of the defined activities and for debt service. Excess resources, as defined by the bond agreements, may be used for transactions relating to the educational and general operations of the University.

Classification of revenues: The Bond Funds 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 fees, (2) sales and services of auxiliary enterprises, (3) government royalties, and (4) indirect cost recovery, representing revenue earned by the Bond Funds for its contribution to overhead costs of the University that are reimbursed under state and Federal contracts and grants.

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 investment income.

Note 2. Equipment

Following are the changes in equipment for the years ended June 30, 2005 and 2004:

	2005			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 2,299,811	\$ 583,913	\$ (5,867)	\$ 2,877,857
Less accumulated depreciation	(1,076,580)	(387,523)	5,867	(1,458,236)
Equipment, net	\$ 1,223,231	\$ 196,390	\$ -	\$ 1,419,621

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

	2004			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 1,161,385	\$ 1,296,086	\$ (157,660)	\$ 2,299,811
Less accumulated depreciation	(927,495)	(296,053)	146,968	(1,076,580)
Equipment, net	\$ 233,890	\$ 1,000,033	\$ (10,692)	\$ 1,223,231

Equipment is recorded at cost at the date of acquisition, or fair market value at the date of donation. The Bond Funds capitalization policy for equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. At management's discretion, certain bulk purchases of items that individually do not exceed \$5,000 may be capitalized and depreciated over an estimated blended life of the items. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, three to seven years for equipment.

Note 3. Revenue Bonds Payable

The University had the following revenue bond issues outstanding during the year ended June 30, 2005:

Series September 1, 1999 Facilities Improvement and Refunding Revenue Bonds: The proceeds of these bonds, net of the underwriter's discount and cost of issuance, were used to redeem the July 15, 1991 facilities revenue bonds, to finance the purchase of the Spanish Walk Apartment building, and to finance the renovation and expansion of the University's Student Union building. The outstanding principal balance at June 30, 2005 is \$12,380,000. The bonds mature through 2019. Interest rates on the outstanding principal balance vary from 4.75% to 5.5%.

Series January 15, 2001 Facilities Improvement Revenue Bonds: The proceeds from these bonds, net of the underwriter's discount and cost of issuance, were used to fund renovation and expansion of the University's Student Union building and to finance the renovation of Washakie Food Service complex. The outstanding principal balance at June 30, 2005 is \$8,055,000. The bonds mature through 2020. Interest rates on the outstanding principal balance vary from 4.0% to 5.5%.

Series March 15, 2003 Facilities Refunding Revenue Bonds: The proceeds of these bonds net of the underwriter's discount and cost of issuance, were used to redeem the May 15, 1993 facilities refunding revenue bonds. The outstanding principal balance at June 30, 2005 is \$4,225,000. The bonds mature through 2010. Interest rates on the outstanding principal balance vary from 2.0% to 3.5%.

Series May 1, 2004 Facilities Improvement Revenue Bonds: The proceeds from these bonds, net of the underwriter's discount and cost of issuance, were used to fund the construction and renovation of the health sciences complex and the renovation of certain residence halls. The outstanding principal balance at June 30, 2005 is \$11,100,000. The bonds mature through 2024. Interest rates on the outstanding principal balance vary from 3.25% to 5.0%.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Series May 13, 2005 Facilities Improvement Revenue Bonds: The proceeds from these bonds, net of the underwriter's discount and cost of issuance, were used to fund the construction of a new archeology and anthropology facility. The outstanding principal balance at June 30, 2005 is \$16,000,000. The bonds mature through 2025. Interest rates on the outstanding principal balance vary from 3.5% to 5.0%.

Revenue bonds payable activity for the years ended June 30, 2005 and 2004 was as follows:

		2005				
		Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Revenue bonds payable		\$ 37,999,513	\$ 16,769,678	\$ (2,014,519)	\$ 52,754,672	\$ 2,632,660

		2004				
		Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Revenue bonds payable		\$ 28,774,516	\$ 11,132,595	\$ (1,907,598)	\$ 37,999,513	\$ 2,014,500

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

	Principal	Interest
2006	\$ 2,565,000	\$ 2,472,883
2007	3,155,000	2,301,809
2008	3,315,000	2,168,626
2009	3,430,000	2,048,544
2010	3,545,000	1,914,774
2011-2015	12,260,000	7,761,725
2016-2020	14,745,000	4,397,493
2021-2025	8,745,000	1,266,000
	51,760,000	\$ 24,331,854
Original issue discount/premium	994,672	
	<u>\$ 52,754,672</u>	

At June 30, 2005, the unexpended amount of revenue bond proceeds was \$20,952,206.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Note 4. Major Source of Revenue, Accounts Receivable and Related-Party Receivable and Payable

The University Pledged Revenue Fund received \$13,365,000 from the State of Wyoming for its share of Federal mineral royalties for each of the years ended June 30, 2005 and 2004. This represents approximately 28% of the total revenue pledged to secure the Bond Funds for the years ended June 30, 2005 and 2004.

Accounts receivable has been reduced by an allowance for uncollectable accounts of \$136,676 and \$147,106 as of June 30, 2005 and 2004, respectively.

Accounts receivable include \$354,932 and \$472,469 from various departments within the University and \$475,176 and \$233,476 in accounts payable to various departments within the University as of June 30, 2005 and 2004, respectively.

Note 5. Nonmandatory Transfers

The University may transfer net operating income in excess of bond requirements to general University operations, as permitted by the bond resolutions.

Note 6. Commitments

Housing Facilities has a contract for services with Bresnan Communications for cable television programming and other related services, which expires in 2006. The remaining commitment on the contract for June 30, 2005 was \$30,045.

Note 7. Retirement and Pension Plans

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

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

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Statutes require that 11.25% of the covered employee's salary be contributed to the plan, one-half by the employee and the other half by the employer. The University contributes the employee and employer portions funded primarily through appropriations from the State Legislature.

As previously noted, some employees opt to participate in TIAA-CREF, which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. TIAA-CREF also requires contributions of 11.25% of participating employees' salaries. Like WRS, statutes require that contributions be funded by both the employer and employee and the University has elected to fund both portions. Contributions are funded as accrued and are immediately vested.

Actual contributions have been equal to the required contribution for each of the last three years:

Year ended June 30,	WRS	TIAA-CREF
2005	\$ 311,466	\$ 284,183
2004	217,257	496,453
2003	282,324	227,487

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

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

Board retiree status allows an individual with unused sick leave at the time of retirement to convert up to 120 days of unused accrued sick leave to be applied toward the State contribution for group health insurance if elected. The conversion is at a rate of 1.5 months of coverage for each five days of sick leave (a maximum of 36 months of premiums). The maximum per month premium currently is \$372 a month for individuals and \$828 a month for family participants in the plan. The premium is paid by the University as it is incurred on a monthly basis. The total amount charged to expense for the years ended June 30, 2005 and 2004 was \$19,426 and \$712, respectively, and the total liability accrued as of June 30, 2005 and 2004 is \$307,424 and \$301,691, respectively.

Board retiree status also allows an individual who has been enrolled in the State life insurance plan to have the University pay one-half the premium for the remainder of the time the individual holds the policy. The share of the premium is paid by the University as it is incurred on a monthly basis. The total amount charged to expense for the year ended June 30, 2005 was \$2,234, and the total liability accrued as of June 30, 2005 is \$43,576.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Disclosure

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

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

The State contributes per month \$372 for a single participant, \$726 for a participant plus his/her spouse or children, \$828 per participating family or \$414 for married couples both of which are employed by the University for insurance premiums for covered participants towards these plans. Participants are responsible for paying premium charges in excess of this amount.

The University participates in a long-term disability program and contributes 100% of the premium per month for each eligible employee at the rate of \$.32 per \$100 of payroll. The University does not retain any risk of loss for the long-term disability program as the insurance carrier assumes all the risk for claims incurred by participants.

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

Wyoming Statute §27-14-101 created the Wyoming Workers' Compensation Act which is administered as an enterprise fund by the State of Wyoming. This act requires the University Bond Funds to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund.

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

UNIVERSITY OF WYOMING
THE BOND FUNDS

NOTES TO FINANCIAL STATEMENTS

Note 9. Investments

In March 2003, the Governmental Accounting Standards Board issued Statement No. 40 *Deposit and Investment Risk Disclosures*, effective for financial statement periods beginning after June 15, 2004. Deposit and investment risks were previously addressed in GASB Statement No. 3 *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Risk disclosures in Statement 3 focused on credit risk, including custodial credit risk. Statement 40 updates the custodial credit risk disclosures requirements of Statement 3 and establishes more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments.

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

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

Deposits: At June 30, 2005, the carrying amount of the Bond Funds participation in the University's demand deposits in financial institutions was \$3,210,041 and the bank balances were \$3,426,615. The demand deposits were fully insured with a combination of FDIC insurance and pledged collateral held in the name of the University. All deposits were held by a qualified depository as outlined in the state statutes.

At June 30, 2005, the Bond Funds had \$21,200,553 on deposit with the State Treasurer through the University. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Investments: As of June 30, 2005, the Bond Funds had pooled investments with weighted average maturities as shown in the following table.

Investment Type	Carrying Amount	Fair Value	Weighted Average Maturity in Years
U.S. Government Sponsored Enterprise Discount Notes	\$ 15,953,701	\$ 15,955,000	-
U.S. Government Sponsored Enterprise Notes	2,320,017	2,303,400	0.51
	<u>\$ 18,273,718</u>	<u>\$ 18,258,400</u>	

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from interest rate changes on internally invested funds is to limit the maturity of all securities to less than one year.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table below shows the quality rating of investments in debt securities.

Investment Type	Fair Value	Quality Rating AAA
U.S. Government Sponsored Enterprise Discount Notes	\$ 15,955,000	\$ 15,955,000
U.S. Government Sponsored Enterprise Notes	2,303,400	2,303,400
	<u>\$ 18,258,400</u>	<u>\$ 18,258,400</u>

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

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Concentration of risk is not addressed in the internal investment policy. At June 30, 2005, the Bond Funds held securities from the following issuers in excess of 5% of the Bond Funds portfolio: Federal Home Loan Bank 23.8%, Federal Home Loan Mortgage Corporation 49.0% and Federal National Mortgage Corporation 23.9%. All of these securities have a maturity of less than 12 months.

Cash equivalents of \$2,926,751 and the balance of investments are restricted to be used in accordance with the 2004 and 2005 bond resolutions.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF NET PLEDGED REVENUE
Year Ended June 30, 2005**

	Bookstore	Union	Dining Services
Gross Pledged Revenue			
Sales:			
Merchandise	\$ 8,317,868	\$ 304,357	\$ 7,040,650
Utilities	-	-	-
Rents and fees:			
Residence hall and apartment rent	-	-	-
Telecommunications	-	-	-
Fees and games	-	-	-
Student fees	-	1,261,601	-
Nonenterprise revenue:			
Government royalties	-	-	-
Indirect cost recovery	-	-	-
Miscellaneous	103,428	-	-
Investment income	-	5,363	-
Total revenue	8,421,296	1,571,321	7,040,650
Operation and Maintenance Expenses			
Cost of sales	6,158,931	25,097	1,994,757
Operating expenses:			
Administrative assessment	392,862	87,540	88,780
Advertising	55,961	96,810	4,608
Contractual services	-	-	-
Credit card charges	122,122	-	-
Garbage removal	-	-	39,000
Insurance	11,236	39,418	48,498
Laundry	-	-	40,425
Parts and supplies	67,840	89,160	280,885
Rent	120,235	-	-
Repairs and maintenance	18,849	77,370	185,347
Salaries	748,891	690,580	2,474,432
Salaries - benefits	284,169	223,405	901,998
Support services	-	-	-
Travel	20,252	17,231	11,316
Utilities	28,929	138,362	210,808
Utility reimbursement (1)	-	(109,300)	-
Miscellaneous	63,430	22,669	53,992
Depreciation	16,796	4,984	44,727
Total expenses	8,110,503	1,403,326	6,379,573
(Gain) loss from sale of assets	-	-	-
Interest	-	-	55,567
	8,110,503	1,403,326	6,435,140
Pledged net revenue	\$ 310,793	\$ 167,995	\$ 605,510

Residence Life	Non- Enterprise Revenue	Totals
\$ -	\$ 8,100	\$ 15,670,975
-	129,545	129,545
8,664,603	(4,482)	8,660,121
-	3,794,169	3,794,169
-	758,341	758,341
-	-	1,261,601
-	13,365,000	13,365,000
-	900,000	900,000
80,501	98,368	282,297
-	2,482,521	2,487,884
<u>8,745,104</u>	<u>21,531,562</u>	<u>47,309,933</u>
297,748	21,277	8,497,810
705,009	-	1,274,191
-	-	157,379
40,188	7,570	47,758
-	-	122,122
-	-	39,000
205,669	-	304,821
-	-	40,425
444,129	-	882,014
5,268	-	125,503
542,066	-	823,632
2,132,658	612,205	6,658,766
744,743	189,314	2,343,629
50,953	1,944,814	1,995,767
13,585	11,291	73,675
2,170,330	-	2,548,429
-	-	(109,300)
3,109	5,381	148,581
230,151	90,865	387,523
<u>7,585,606</u>	<u>2,882,717</u>	<u>26,361,725</u>
(1,082)	-	(1,082)
40,234	-	95,801
<u>7,624,758</u>	<u>2,882,717</u>	<u>26,456,444</u>
<u>\$ 1,120,346</u>	<u>\$ 18,648,845</u>	<u>\$ 20,853,489</u>

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF NET PLEDGED REVENUE (Continued)
Year Ended June 30, 2005**

	Totals
Net Pledged Revenue	<u>\$ 20,853,489</u>
Maximum Annual Debt Service Requirement (Fiscal 2008)	
Principal	3,315,000
Interest	<u>2,168,626</u>
	<u>5,483,626</u>
Excess of Net Pledged Revenue over Maximum Debt Service Requirement	<u>\$ 15,369,863</u>
Percentage of Net Pledged Revenue to Maximum Debt Service Requirement	380%
Percentage of Net Pledged Revenue to Debt Service Requirement for Fiscal Year Ending June 30, 2006	414%

(1) The University utility contribution represents utility expenses not charged to the Union by the University in lieu of a cash contribution.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**DEBT SERVICE REQUIREMENTS OF THE SEPTEMBER 1, 1999, JANUARY 15, 2001
MARCH 15, 2003, MAY 1, 2004 AND MAY 13, 2005 BOND RESOLUTIONS
June 30, 2005**

Year Ended	September 1, 1999 Bond Resolution (Series 1999)			January 15, 2001 Bond Resolution (Series 2001)			March 15, 2003 Bond Resolution (Series 2003)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 1,630,000	\$ 643,308	\$ 2,273,308	\$ 385,000	\$ 404,002	\$ 789,002	\$ 70,000	\$ 135,738	\$ 205,738
2007	1,695,000	565,882	2,260,882	400,000	388,603	788,603	75,000	134,338	209,338
2008	565,000	483,675	1,048,675	415,000	372,602	787,602	1,325,000	132,762	1,457,762
2009	590,000	455,708	1,045,708	430,000	355,588	785,588	1,365,000	93,012	1,458,012
2010	620,000	425,913	1,045,913	450,000	335,162	785,162	1,390,000	48,649	1,438,649
2011	650,000	393,362	1,043,362	470,000	316,038	786,038	-	-	-
2012	685,000	359,237	1,044,237	490,000	295,475	785,475	-	-	-
2013	725,000	323,275	1,048,275	515,000	268,525	783,525	-	-	-
2014	755,000	285,213	1,040,213	505,000	240,200	745,200	-	-	-
2015	805,000	245,575	1,050,575	535,000	212,425	747,425	-	-	-
2016	840,000	201,300	1,041,300	605,000	183,000	788,000	-	-	-
2017	890,000	155,100	1,045,100	690,000	149,725	839,725	-	-	-
2018	940,000	106,150	1,046,150	705,000	111,775	816,775	-	-	-
2019	990,000	54,450	1,044,450	710,000	73,000	783,000	-	-	-
2020	-	-	-	750,000	37,500	787,500	-	-	-
2021	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-
Total	\$ 12,380,000	\$ 4,698,148	\$ 17,078,148	\$ 8,055,000	\$ 3,743,620	\$ 11,798,620	\$ 4,225,000	\$ 544,499	\$ 4,769,499

Year Ended	May 1, 2004 Bond Resolution (Series 2004)			May 13, 2005 Bond Resolution (Series 2005)			Combined Annual Requirement
	Principal	Interest	Total	Principal	Interest	Total	
2006	\$ -	\$ 509,200	\$ 509,200	\$ 480,000	\$ 780,636	\$ 1,260,636	\$ 5,037,884
2007	430,000	509,198	939,198	555,000	703,788	1,258,788	5,456,809
2008	435,000	495,225	930,225	575,000	684,362	1,259,362	5,483,626
2009	450,000	479,999	929,999	595,000	664,238	1,259,238	5,478,545
2010	470,000	463,126	933,126	615,000	641,925	1,256,925	5,459,775
2011	490,000	441,973	931,973	635,000	621,938	1,256,938	4,018,311
2012	510,000	419,924	929,924	660,000	598,125	1,258,125	4,017,761
2013	530,000	397,611	927,611	690,000	570,075	1,260,075	4,019,486
2014	555,000	373,761	928,761	720,000	540,750	1,260,750	3,974,924
2015	585,000	348,093	933,093	750,000	510,150	1,260,150	3,991,243
2016	610,000	321,768	931,768	780,000	478,275	1,258,275	4,019,343
2017	640,000	294,318	934,318	815,000	443,175	1,258,175	4,077,318
2018	665,000	264,878	929,878	850,000	406,500	1,256,500	4,049,303
2019	700,000	233,290	933,290	895,000	364,000	1,259,000	4,019,740
2020	730,000	200,040	930,040	940,000	319,250	1,259,250	2,976,790
2021	765,000	165,000	930,000	985,000	272,250	1,257,250	2,187,250
2022	805,000	126,750	931,750	1,035,000	223,000	1,258,000	2,189,750
2023	845,000	86,500	931,500	1,085,000	171,250	1,256,250	2,187,750
2024	885,000	44,250	929,250	1,140,000	117,000	1,257,000	2,186,250
2025	-	-	-	1,200,000	60,000	1,260,000	1,260,000
	<u>\$ 11,100,000</u>	<u>\$ 6,174,904</u>	<u>\$ 17,274,904</u>	<u>\$ 16,000,000</u>	<u>\$ 9,170,687</u>	<u>\$ 25,170,687</u>	<u>\$ 76,091,858</u>

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
June 30, 2005**

1. Policy Number: UV934
 Insurer: Factory Mutual Insurance Company
 Expiration date: March 17, 2006
 Risks covered and amount:
- | | |
|--|----------------|
| All risks, including fire, theft
Blanket per schedule on file
(90% coinsurance clause) | \$ 750,000,000 |
| Flood | 100,000,000 |
| Flood (high hazard zones) | 5,000,000 |
| Earthquake | 100,000,000 |
| Miscellaneous unnamed locations (U.S.) | 10,000,000 |
| Miscellaneous unnamed locations (non-U.S.) | 5,000,000 |
| Mobile equipment | 5,000,000 |
| Transportation | 10,000,000 |
| Service interruption property damage | 10,000,000 |
| Certified terrorism | 1,000,000 |
| Non-certified terrorism | 250,000,000 |
| Data programs and software | 33,000,000 |
| Exhibition property | 1,000,000 |
| Plant specimens | 2,000,000 |
| Neighbor's recourse and tenant's liability | 10,000,000 |
| Research animals (any single animal \$25,000) | 3,000,000 |
| Land and water contaminant or pollutant cleanup | 50,000 |
| Accounts receivable | 100,000,000 |
| Automatic acquisition | 100,000,000 |
| 4525 N. Fish Creek Rd., Wilson, WY | 200,000 |
2. Policy Number: 008BY103301280 BCM
 Insurer: Travelers Property Casualty and Surety
 Expiration date: June 17, 2006
 Risks covered and amount:
- | | |
|---|--------------|
| Money and security on premises and messenger, forgery or
alteration, public dishonesty (blanket), computer fraud | \$ 1,000,000 |
|---|--------------|
3. Policy Number: None
 Insurer: State of Wyoming
 Expiration date: Month-to-month
 Risks covered:
 Workers' Compensation

Statutory Limits

Continued

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)
June 30, 2005**

4. Policy Number: ELA200500049900
Insurer: United Educators Risk Retention Group
Expiration date: March 17, 2006
Risks covered and amount:
Errors and omissions; breach of duty:
Each claim \$ 5,000,000
5. Policy Number: 3822(1)
Insurer: Municipal Bond Insurance Association
Expiration date: None
Risks covered:
Payment of bonds (principal and interest to bondholders)
6. Policy Number: BLX200500049900
Insurer: United Educators Risk Retention Group
Expiration date: March 17, 2006
Risks covered and amount:
Personal injury/property damage; includes general liability, liquor liability; automobile liability, employee benefit liability; professional liability; broadcasting liability
Per occurrence \$ 900,000
Aggregate limit 3,600,000
7. Policy Number: GLF200500049900
Insurer: United Educators Risk Retention Group
Expiration date: March 17, 2006
Risks covered and amount:
Excess underlying \$ 3,600,000
Personal injury/property damage; advertising/injury 20,000,000

In addition to the above policies, the University maintains a number of insurance policies covering specialized risks involving, among others, special equipment, aircraft, art objects, employers' overseas liability and livestock morality.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

STATEMENT OF NET ASSETS: FUND GROUP PERSPECTIVE

June 30, 2005

	Current Unrestricted Funds	Plant Funds			Total
		Unexpended	Funds for Renewal and Replacement	Funds for Retirement of Indebtedness	
ASSETS					
Cash and cash equivalents	\$ 20,103,121	\$ 3,210,041	\$ 1,079,883	\$ 17,549	\$ 4,307,473
Accounts receivable	1,498,498	-	-	-	-
Due from other funds	-	-	-	261,118	261,118
Accrued interest receivable	253,981	15,880	-	-	15,880
Inventories	2,835,357	-	-	-	-
Investments	-	18,273,718	-	-	18,273,718
Prepaid expenses	241,971	-	-	-	-
Bond issuance costs	-	-	-	853,158	853,158
Equipment, net of accumulated depreciation	1,419,621	-	-	-	-
	<u>\$ 26,352,549</u>	<u>\$ 21,499,639</u>	<u>\$ 1,079,883</u>	<u>\$ 1,131,825</u>	<u>\$ 23,711,347</u>
LIABILITIES					
Unexpended portion	\$ -	\$ 20,952,206	\$ -	\$ -	\$ 20,952,206
Accounts payable	1,201,515	-	-	-	-
Accrued expenses	1,383,933	-	-	-	-
Accrued interest payable	-	-	-	261,256	261,256
Due to other bond funds	225,089	36,029	-	-	36,029
Due to other University departments	3,381	-	-	-	-
Deferred income	35,181	-	-	7,123	7,123
	<u>\$ 2,849,099</u>	<u>\$ 20,988,235</u>	<u>\$ -</u>	<u>\$ 268,379</u>	<u>\$ 21,256,614</u>
NET ASSETS					
Invested in equipment	\$ 1,419,621	\$ -	\$ -	\$ -	\$ -
Restricted	-	511,404	1,079,883	-	1,591,287
Unrestricted	22,083,829	-	-	863,446	863,446
	<u>\$ 23,503,450</u>	<u>\$ 511,404</u>	<u>\$ 1,079,883</u>	<u>\$ 863,446</u>	<u>\$ 2,454,733</u>

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS: FUND GROUP PERSPECTIVE
Year Ended June 30, 2005**

	Current Unrestricted Funds	Plant Funds		Total
		Unexpended	Funds for Renewal and Replacement	
Operating Revenues				
Sales	\$ 15,800,520	\$ -	\$ -	\$ -
Rents and fees	14,474,232	-	-	-
Government royalties	13,365,000	-	-	-
Indirect cost recovery	900,000	-	-	-
Miscellaneous	282,297	-	-	-
	<u>44,822,049</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenditures				
Cost of sales	8,497,810	-	-	-
Administrative assessments	1,274,191	-	-	-
Salaries and benefits	9,002,395	-	-	-
Utilities	2,439,129	-	-	-
Other operating expenses	5,148,200	-	-	54,628
	<u>26,361,725</u>	<u>-</u>	<u>-</u>	<u>54,628</u>
Operating income (loss)	<u>18,460,324</u>	<u>-</u>	<u>-</u>	<u>(54,628)</u>
Nonoperating Revenues (Expenses) and Other Items				
Investment income	2,487,884	204,453	18,913	32,525
Gain on sale of assets	1,082	-	-	-
Interest on indebtedness	(95,801)	-	-	(1,856,898)
Retirement of indebtedness	-	-	-	(1,985,000)
Expenditures for plant facilities	(16,590)	(5,981,947)	-	-
Transfers in (out)	(25,073,893)	5,944,602	282,114	4,020,255
	<u>(22,697,318)</u>	<u>167,108</u>	<u>301,027</u>	<u>210,882</u>
Net increase (decrease) in net assets	<u>(4,236,994)</u>	<u>167,108</u>	<u>301,027</u>	<u>156,254</u>
Net Assets, beginning of year	27,740,444	344,296	778,856	707,192
Net Assets, end of year	<u>\$ 23,503,450</u>	<u>\$ 511,404</u>	<u>\$ 1,079,883</u>	<u>\$ 863,446</u>
		<u>\$ 2,454,733</u>		



McGee, Hearne & Paiz, LLP

Certified Public Accountants and Consultants

314 West 18th Street - Cheyenne, WY - 82001

**INDEPENDENT AUDITOR'S REPORT
ON DEBT COMPLIANCE**

To the Board of Trustees of the
University of Wyoming
Laramie, Wyoming

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of certain Bond Funds of the University of Wyoming (the "University") as of and for the year ended June 30, 2005, and have issued our report thereon dated October 5, 2005.

In connection with our audit, nothing came to our attention that caused us to believe that the University failed to comply with the terms, covenants, provisions, or conditions, as listed in Article VIII, of each of the bond resolutions and the Financial Guaranty Agreement related to each of the Surety Bonds, insofar as they relate to accounting matters. It should be noted, however, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Trustees, management of the University, bondholders, Financial Security Assurance, Inc., and Ambac Assurance Corporation and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in cursive script that reads "McGee, Hearne & Paiz, LLP".

Cheyenne, Wyoming
October 5, 2005