

UNIVERSITY OF WYOMING

THE BOND FUNDS

FINANCIAL REPORT

JUNE 30, 2007

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**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, 2007 and 2006, 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 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 as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with generally accepted accounting principles.

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
November 5, 2007

**UNIVERSITY OF WYOMING
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**STATEMENTS OF NET ASSETS
June 30, 2007 and 2006**

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Note 9)	\$ 26,223,637	\$ 27,038,753
Accounts receivable, net (Note 4)	1,541,923	1,610,783
Accrued interest receivable	-	508,949
Inventories	3,847,967	2,974,335
Investments (Note 9)	9,978	7,096,660
Prepaid expenses	265,872	265,657
Total current assets	31,889,377	39,495,137
Noncurrent Assets		
Bond issuance costs, net of accumulated amortization	730,148	794,307
Equipment, net of accumulated depreciation (Note 2)	1,252,621	1,043,042
	1,982,769	1,837,349
Total assets	33,872,146	41,332,486
LIABILITIES AND NET ASSETS		
Current Liabilities		
Unexpended portion - revenue bonds payable (Note 3)	5,652,531	13,219,924
Accounts payable (Note 4)	1,603,209	1,298,297
Accrued compensated absences	496,955	461,818
Other accrued liabilities (Note 7)	574,047	585,943
Accrued bond interest payable	180,856	191,955
Deferred income	46,257	54,424
Total current liabilities	8,553,855	15,812,361
Noncurrent Liabilities		
Accrued compensated absences	496,955	461,818
Total liabilities	9,050,810	16,274,179
NET ASSETS		
Invested in equipment	1,252,621	1,043,042
Restricted for maintenance required by bond resolution	500,000	500,000
Restricted for capital projects	2,551,866	2,128,783
Unrestricted	20,516,849	21,386,482
Total net assets	\$ 24,821,336	\$ 25,058,307

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING
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**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
Years Ended June 30, 2007 and 2006**

	2007	2006
Revenue and Other Additions		
Sales:		
Merchandise	\$ 16,794,406	\$ 16,029,141
Utilities	129,938	136,367
Rents and fees:		
Residence hall and apartment rent	9,398,329	8,938,902
Telecommunications	3,889,230	4,035,481
Fees and games	839,233	811,692
Student fees	1,409,344	1,323,901
Nonenterprise revenue:		
Government royalties (Note 4)	13,365,000	13,365,000
Indirect cost recovery	900,000	900,000
Miscellaneous other funds	254,350	112,280
Total operating revenues	46,979,830	45,652,764
Operating Expenses		
Cost of sales	8,510,929	8,398,747
Operating expenses:		
Administrative assessment	1,303,270	1,248,316
Advertising	250,943	267,463
Contractual services	63,803	27,251
Credit card charges	107,108	91,793
Insurance	345,299	311,802
Laundry	73,206	63,987
Parts and supplies	1,094,490	1,078,678
Rent	124,744	123,618
Repairs and maintenance	855,076	790,666
Salaries	6,682,191	6,676,316
Salaries - benefits	2,243,934	2,408,079
Support services	1,798,270	1,808,227
Travel	91,163	115,496
Utilities	2,627,184	2,839,854
Utility reimbursement	(141,242)	(146,078)
Miscellaneous	230,825	153,014
Balance forward	26,261,193	26,257,229

**UNIVERSITY OF WYOMING
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**STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS (Continued)
Years Ended June 30, 2007 and 2006**

	2007	2006
Operating Expenses (continued)		
Balance forwarded	\$ 26,261,193	\$ 26,257,229
Amortization of bond issuance costs	65,383	65,384
Depreciation	304,815	428,428
Total operating expenses	26,631,391	26,751,041
Operating income	20,348,439	18,901,723
Nonoperating Revenues (Expenses) and Other Items		
Investment income:		
Plant funds	612,096	767,423
Other funds	5,334,891	4,098,820
Gain on sale of assets	106	1,938
Interest on indebtedness	(2,378,929)	(2,495,675)
Retirement of indebtedness	(3,155,000)	(2,565,000)
Expended for plant facilities	(7,597,164)	(7,763,462)
Mandatory transfers	186,897	(92,452)
Nonmandatory transfers (Note 5)	(13,588,307)	(11,753,191)
Total nonoperating (expenses)	(20,585,410)	(19,801,599)
(Decrease) in net assets	(236,971)	(899,876)
Net Assets		
Beginning of year	25,058,307	25,958,183
End of year	\$ 24,821,336	\$ 25,058,307

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING
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**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006**

	2007	2006
Cash Flows from Operating Activities		
Sales of merchandise	\$ 16,806,576	\$ 15,961,657
Utilities revenues	129,938	136,367
Housing revenues	9,493,014	9,004,499
Telecommunications	3,892,789	3,986,067
Student fees	2,248,577	2,135,593
Government royalties	13,365,000	13,365,000
Indirect cost recovery	900,000	900,000
Payments to suppliers	(14,105,233)	(13,969,055)
Payments to employees and fringe benefits	(8,916,046)	(9,006,289)
Payments to other University funds	(3,798,767)	(3,272,941)
Other receipts	252,925	110,856
Net cash provided by operating activities	20,268,773	19,351,754
Cash Flows from Capital Financing Activities		
Bond proceeds expended	(7,567,393)	(7,732,283)
Retirement of indebtedness	(3,155,000)	(2,565,000)
Purchases of plant facilities	(7,597,161)	(7,763,462)
Interest paid on capital debt	(2,390,027)	(2,564,975)
Purchase of equipment	(514,394)	(62,695)
Proceeds from sale of equipment	106	12,786
Bond issuance costs paid	(1,225)	(6,534)
Net cash (used in) capital financing activities	(21,225,094)	(20,682,163)
Cash Flows from Noncapital Financing Activities		
Net transfers to other University funds	(13,401,411)	(11,845,643)
Cash Flows from Investing Activities		
Investment income	6,455,937	4,627,155
Redemption (purchase) of investments	7,086,679	11,177,057
Net cash provided by investing activities	13,542,616	15,804,212
Net increase (decrease) in cash	(815,116)	2,628,160
Cash and Cash Equivalents		
Beginning of year	27,038,754	24,410,594
End of year	\$ 26,223,638	\$ 27,038,754
Reconciliation		
Operating income	\$ 20,348,439	\$ 18,901,723
Amortization of bond issuance costs	65,383	65,384
Depreciation expense	304,815	428,428
Change in operating assets and liabilities:		
Accounts receivable	68,860	(112,285)
Prepaid expenses	(215)	(23,685)
Inventory	(873,632)	(138,978)
Accounts payable	304,912	96,782
Due to other University departments	-	(3,381)
Accrued liabilities and deferred income	50,211	137,766
Net cash provided by operating activities	\$ 20,268,773	\$ 19,351,754

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING
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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
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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.

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 consider 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 12 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.

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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, 2007 and 2006 were \$536,379 and \$481,820, 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, 2007 and 2006:

	2007			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 2,934,632	\$ 514,394	\$ (6,400)	\$ 3,442,626
Less accumulated depreciation	(1,891,590)	(304,815)	6,400	(2,190,005)
Equipment, net	\$ 1,043,042	\$ 209,579	\$ -	\$ 1,252,621

**UNIVERSITY OF WYOMING
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NOTES TO FINANCIAL STATEMENTS

	2006			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 2,922,204	\$ 62,695	\$ (50,267)	\$ 2,934,632
Less accumulated depreciation	(1,502,583)	(428,428)	39,421	(1,891,590)
Equipment, net	\$ 1,419,621	\$ (365,733)	\$ (10,846)	\$ 1,043,042

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, 2007:

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, 2007 is \$9,055,000. The bonds mature through 2019. Interest rates on the outstanding principal balance vary from 4.85% 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, 2007 is \$7,270,000. 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, 2007 is \$4,080,000. The bonds mature through 2010. Interest rates on the outstanding principal balance vary from 2.1% 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, 2007 is \$10,670,000. The bonds mature through 2024. Interest rates on the outstanding principal balance vary from 3.25% to 5.0%.

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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, 2007 is \$14,965,000. 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, 2007 and 2006 was as follows:

2007					
	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Revenue bonds payable	\$ 50,122,012	\$ 1,225	\$ (3,223,720)	\$ 46,899,517	\$ 3,382,495

2006					
	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Revenue bonds payable	\$ 52,754,672	\$ 1,225	\$ (2,633,885)	\$ 50,122,012	\$ 3,222,495

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

	Principal	Interest
2008	\$ 3,315,000	\$ 2,168,626
2009	3,430,000	2,048,544
2010	3,545,000	1,914,774
2011	2,245,000	1,773,311
2012	2,345,000	1,672,761
2013-2017	13,540,000	6,542,313
2018-2022	12,465,000	2,957,833
2023-2025	5,155,000	479,000
	46,040,000	\$ 19,557,162
Original issue discount/premium	859,517	
	<u>\$ 46,899,517</u>	

At June 30, 2007, the unexpended amount of revenue bond proceeds was \$5,652,531.

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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, 2007 and 2006. This represents approximately 26% and 27%, respectively, of the total revenue pledged to secure the Bond Funds for the years ended June 30, 2007 and 2006.

Accounts receivable has been reduced by an allowance for uncollectable accounts of \$117,323 and \$98,842 as of June 30, 2007 and 2006, respectively.

Accounts receivable include \$377,809 and \$367,791 due from various departments within the University and accounts payable include \$529,211 and \$410,218 due to various departments within the University as of June 30, 2007 and 2006, 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. Future minimum payment requirements under this contract are as follows:

Fiscal Year:	
2008	\$ 159,062
2009	159,062
2010	79,531
Total	<u>\$ 397,655</u>

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.

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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 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:

	<u>WRS</u>	<u>TIAA-CREF</u>
Year ended June 30,		
2007	\$ 314,262	\$ 306,900
2006	314,473	288,460
2005	311,466	284,183

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 \$610 a month for individuals and \$1,446 a month for family participants in the plan. The premium is paid by the University as it is incurred on a monthly basis. The total amount charged to expense for the years ended June 30, 2007 and 2006 was \$13,807 and \$58,203, respectively, and the total liability accrued as of June 30, 2007 and 2006 is \$393,325 and \$379,319, respectively. Effective June 7, 2007, the policy was changed such that any employee who retires and has completed 25 years of service or has 15 years of service immediately preceding the date of retirement shall receive the same sick leave conversion benefit as Board Retirees have in the past.

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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 years ended June 30, 2007 and 2006 was \$1,507 and \$3,915, respectively, and the total liability accrued as of June 30, 2007 and 2006 is \$51,904 and \$50,455, respectively.

Note 8. Risk Management

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.

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 \$487 for a single participant, \$963 for a participant plus his/her spouse or children, \$1,101 per participating family or \$551 for married couples both of 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.

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NOTES TO FINANCIAL STATEMENTS

Note 9. Cash and Investments

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

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

Deposits: At June 30, 2007 and 2006, the carrying amount of the Bond Funds participation in the University's cash and cash equivalents was \$26,223,637 and \$27,038,753, respectively. Of this amount, \$10,055,927 and \$11,741,167 was on deposit with State Treasurer through the University and \$21,091,211 and \$17,864,708 was the bank balance on deposits with financial institutions for the years ended June 30, 2007 and 2006, respectively.

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. All cash equivalents were collateralized at 102% with government agency securities. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

Investments: As of June 30, 2007 and 2006, 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
2007			
U.S. Government Sponsored Enterprise Notes	\$ 9,978	\$ 9,909	0.47
2006			
U.S. Government Sponsored Enterprise Notes	\$ 7,096,660	\$ 7,045,049	0.56

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

NOTES TO FINANCIAL STATEMENTS

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
2007		
U.S. Government Sponsored Enterprise Notes	\$ 9,978	\$ 9,909
2006		
U.S. Government Sponsored Enterprise Notes	\$ 7,045,049	\$ 7,045,049

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

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Concentration of risk is not addressed in the internal investment policy. At June 30, 2007, the Bond Funds held a Farm Credit Note for 100% of the portfolio balance. The security has a maturity of less than 12 months.

Cash equivalents of \$6,765,015 and \$6,910,261 and the balance of investments are restricted to be used in accordance with the 2004 and 2005 bond resolutions for the years ended June 30, 2007 and 2006, respectively.

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF NET PLEDGED REVENUE
Year Ended June 30, 2007**

	Bookstore	Union	Dining Services
Gross Pledged Revenue			
Sales:			
Merchandise	\$ 8,274,591	\$ 379,473	\$ 8,132,242
Utilities	-	-	-
Rents and fees:			
Residence hall and apartment rent	-	-	-
Telecommunications	-	-	-
Fees and games	-	-	-
Student fees	-	1,409,344	-
Nonenterprise revenue:			
Government royalties	-	-	-
Indirect cost recovery	-	-	-
Miscellaneous	66,938	-	-
Investment income	-	11,359	-
Total revenue	8,341,529	1,800,176	8,132,242
Operation and Maintenance Expenses			
Cost of sales	5,834,407	64,316	2,113,766
Operating expenses:			
Administrative assessment	389,920	106,982	95,328
Advertising	73,063	163,962	13,918
Contractual services	-	-	-
Credit card charges	107,108	-	-
Insurance	17,823	41,927	51,200
Laundry	-	-	73,206
Parts and supplies	39,377	112,296	367,158
Rent	130,813	-	2,330
Repairs and maintenance	25,960	113,056	100,811
Salaries	735,573	740,159	2,414,810
Salaries - benefits	261,996	251,143	870,626
Support services	-	-	-
Travel	18,139	28,531	26,346
Utilities	23,701	170,025	277,545
Utility reimbursement (1)	-	(141,242)	-
Miscellaneous	135,040	29,739	60,169
Depreciation	4,831	5,448	43,806
Total expenses	7,797,751	1,686,342	6,511,019
(Gain) from sale of assets	-	-	-
Interest	-	-	51,166
	7,797,751	1,686,342	6,562,185
Pledged net revenue	\$ 543,778	\$ 113,834	\$ 1,570,057

Residence Life	Non- Enterprise Revenue	Totals
\$ -	\$ 8,100	\$ 16,794,406
-	129,938	129,938
9,386,554	11,775	9,398,329
-	3,889,230	3,889,230
-	839,233	839,233
-	-	1,409,344
-	13,365,000	13,365,000
-	900,000	900,000
80,063	105,924	252,925
-	5,323,532	5,334,891
<u>9,466,617</u>	<u>24,572,732</u>	<u>52,313,296</u>
272,669	244,236	8,529,394
711,040	-	1,303,270
-	-	250,943
32,963	30,840	63,803
-	-	107,108
234,349	-	345,299
-	-	73,206
575,659	-	1,094,490
(8,399)	-	124,744
615,249	-	855,076
2,163,607	628,042	6,682,191
671,061	189,108	2,243,934
45,086	1,753,184	1,798,270
12,454	5,693	91,163
2,155,913	-	2,627,184
-	-	(141,242)
4,883	994	230,825
116,784	133,946	304,815
<u>7,603,318</u>	<u>2,986,043</u>	<u>26,584,473</u>
(106)	-	(106)
37,052	-	88,218
<u>7,640,264</u>	<u>2,986,043</u>	<u>26,672,585</u>
<u>\$ 1,826,353</u>	<u>\$ 21,586,689</u>	<u>\$ 25,640,711</u>

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF NET PLEDGED REVENUE (Continued)
Year Ended June 30, 2007**

	Totals
Net Pledged Revenue	<u>\$ 25,640,711</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>\$ 20,157,085</u>
Percentage of Net Pledged Revenue to Maximum Debt Service Requirement	468%
Percentage of Net Pledged Revenue to Debt Service Requirement for Fiscal Year Ending June 30, 2008	468%

(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, 2007**

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
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	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
Total	\$ 9,055,000	\$ 3,488,958	\$ 12,543,958	\$ 7,270,000	\$ 2,951,015	\$ 10,221,015	\$ 4,080,000	\$ 274,423	\$ 4,354,423

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	
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
2026	-	-	-	-	-	-	-
	<u>\$ 10,670,000</u>	<u>\$ 5,156,506</u>	<u>\$ 15,826,506</u>	<u>\$ 14,965,000</u>	<u>\$ 7,686,263</u>	<u>\$ 22,651,263</u>	<u>\$ 65,597,165</u>

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
June 30, 2007**

1. Policy Number: 4300990	
Insurer: Lexington Insurance Company	
Expiration date: March 17, 2008	
Risks covered and amount:	\$ 200,000,000
Real and personal property; accounts receivable; business interruption/extra expense/tuition fees; EDP equipment including media and extra expense; plant specimens; animals; automobile physical damage; aircraft equipment; automatic builders risk, renovations, installation (owners interest), and equipment breakdown.	
Sublimits:	
Flood, aggregate	100,000,000
Flood, SFHA (100 year)	2,000,000
Earthquake, aggregate	100,000,000
Miscellaneous unnamed locations (U.S.)	10,000,000
Miscellaneous unnamed locations (non-U.S.)	5,000,000
Errors and omissions	10,000,000
Personal property, legally liable	1,000,000
Leasehold interest	10,000,000
Mobile equipment	5,000,000
Equipment in aircraft	2,000,000
Transportation	2,000,000
Demolition and increased cost of construction	50,000,000
Service interruption property damage	10,000,000
Data, programs, and software	30,000,000
Exhibition property	1,000,000
Plant specimens	2,030,183
Neighbor's recourse and tenant's liability	5,000,000
Research animals (any single animal \$75,000)	3,000,000
Land and water contaminant or pollutant cleanup	1,000,000
Accounts receivable and valuable papers	32,000,000
Automatic acquisition	25,000,000
2. Policy Number: 008BY103301280 BCM	
Insurer: Travelers Property Casualty and Surety	
Expiration date: June 17, 2009	
Risks covered and amount:	
Money and security on premises and messenger, forgery or alteration, public dishonesty (blanket), computer fraud	\$ 1,000,000

Continued

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)
June 30, 2007**

3.	Policy Number: None Insurer: State of Wyoming Expiration date: Month-to-month Risks covered: Workers' Compensation	Statutory Limits
4.	Policy Number: ELA200600049900 Insurer: United Educators Risk Retention Group Expiration date: March 17, 2008 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: BLX200700049900 Insurer: United Educators Risk Retention Group Expiration date: March 17, 2008 Risks covered and amount: Personal injury/property damage; includes general liability, liquor liability; automobile liability, employee benefit liability; professional liability; broadcasting liability Per occurrence Aggregate limit	\$ 900,000 3,600,000
7.	Policy Number: GLF200700049900 Insurer: United Educators Risk Retention Group Expiration date: March 17, 2008 Risks covered and amount: Excess underlying Personal injury/property damage; advertising injury	\$ 3,600,000 25,000,000

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENT OF NET ASSETS: FUND GROUP PERSPECTIVE
June 30, 2007**

	Current Unrestricted Funds	Plant Funds			Total
		Unexpended	Funds for Renewal and Replacement	Funds for Retirement of Indebtedness	
ASSETS					
Cash and cash equivalents	\$ 17,525,903	\$ 7,048,305	\$ 1,646,114	\$ 3,315	\$ 8,697,734
Accounts receivable	1,541,923	-	-	-	-
Due from other funds	-	-	-	180,719	180,719
Inventories	3,847,967	-	-	-	-
Investments	-	9,978	-	-	9,978
Prepaid expenses	265,872	-	-	-	-
Bond issuance costs	-	-	-	730,148	730,148
Equipment, net of accumulated depreciation	1,252,621	-	-	-	-
	<u>\$ 24,434,286</u>	<u>\$ 7,058,283</u>	<u>\$ 1,646,114</u>	<u>\$ 914,182</u>	<u>\$ 9,618,579</u>
LIABILITIES					
Unexpended portion	\$ -	\$ 5,652,531	\$ -	\$ -	\$ 5,652,531
Accounts payable	1,603,209	-	-	-	-
Accrued expenses	1,567,957	-	-	-	-
Accrued interest payable	-	-	-	180,856	180,856
Due to other bond funds	180,719	-	-	-	-
Deferred income	41,983	-	-	4,274	4,274
	<u>\$ 3,393,868</u>	<u>\$ 5,652,531</u>	<u>\$ -</u>	<u>\$ 185,130</u>	<u>\$ 5,837,661</u>
NET ASSETS					
Invested in equipment	\$ 1,252,621	\$ -	\$ -	\$ -	\$ -
Restricted	-	1,405,752	1,646,114	-	3,051,866
Unrestricted	19,787,797	-	-	729,052	729,052
	<u>\$ 21,040,418</u>	<u>\$ 1,405,752</u>	<u>\$ 1,646,114</u>	<u>\$ 729,052</u>	<u>\$ 3,780,918</u>

**UNIVERSITY OF WYOMING
THE BOND FUNDS**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS: FUND GROUP PERSPECTIVE
Year Ended June 30, 2007**

	Current Unrestricted Funds	Plant Funds		Total
		Unexpended	Funds for Renewal and Replacement	
Operating Revenues				
Sales	\$ 16,924,344	\$ -	\$ -	\$ -
Rents and fees	15,536,136	-	-	-
Government royalties	13,365,000	-	-	-
Indirect cost recovery	900,000	-	-	-
Miscellaneous	252,925	-	-	1,425
	<u>46,978,405</u>	<u>-</u>	<u>-</u>	<u>1,425</u>
Operating Expenditures				
Cost of sales	8,510,929	-	-	-
Administrative assessments	1,303,270	-	-	-
Salaries and benefits	8,926,125	-	-	-
Utilities	2,485,942	-	-	-
Other operating expenses	5,339,741	-	-	65,383
	<u>26,566,007</u>	<u>-</u>	<u>-</u>	<u>65,383</u>
Operating income (loss)	<u>20,412,398</u>	<u>-</u>	<u>-</u>	<u>(63,958)</u>
Nonoperating Revenues (Expenses) and Other Items				
Investment income	5,334,891	476,643	66,586	68,867
Gain on sale of assets	106	-	-	-
Interest on indebtedness	(88,219)	-	-	(2,290,710)
Retirement of indebtedness	-	-	-	(3,155,000)
Expenditures for plant facilities	(18,466)	(7,578,698)	-	(7,578,698)
Transfers in (out)	(26,238,177)	7,380,881	77,671	5,378,214
	<u>(21,009,865)</u>	<u>278,826</u>	<u>144,257</u>	<u>1,371</u>
Net increase (decrease) in net assets	<u>(597,467)</u>	<u>278,826</u>	<u>144,257</u>	<u>(62,587)</u>
Net Assets, beginning of year	21,637,885	1,126,926	1,501,857	791,639
Net Assets, end of year	<u>\$ 21,040,418</u>	<u>\$ 1,405,752</u>	<u>\$ 1,646,114</u>	<u>\$ 729,052</u>
		<u>\$ 3,780,918</u>		

**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, 2007, and have issued our report thereon dated November 5, 2007.

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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 5, 2007