

**UNIVERSITY OF WYOMING**

**THE BOND FUNDS**

**FINANCIAL REPORT**

**JUNE 30, 2006**

## CONTENTS

---

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1
<hr/>	
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 – 15
SUPPLEMENTARY INFORMATION	
Schedule of net pledged revenue	16 – 18
Debt service requirements of the September 1, 1999, January 15, 2001, March 15, 2003, May 1, 2004, and May 13, 2005 bond resolutions	19 and 20
Schedule of insurance coverage (unaudited)	21 and 22
Statement of net assets: fund group perspective	23
Statement of revenue, expenses and changes in net assets: fund group perspective	24
INFORMATION REQUIRED BY BOND RESOLUTIONS	
Independent Auditor's Report on Debt Compliance	25

---



**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, 2006 and 2005, 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, 2006, 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, 2006 and 2005, 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.

Cheyenne, Wyoming  
September 26, 2006

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**STATEMENTS OF NET ASSETS  
June 30, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 9)	\$ 27,038,753	\$ 24,410,594
Accounts receivable, net (Note 4)	1,610,783	1,498,498
Accrued interest receivable	508,949	269,861
Inventories	2,974,335	2,835,357
Investments (Note 9)	7,096,660	18,273,718
Prepaid expenses	265,657	241,971
<b>Total current assets</b>	<b>39,495,137</b>	<b>47,529,999</b>
Noncurrent Assets		
Bond issuance costs, net of accumulated amortization	794,307	853,158
Equipment, net of accumulated depreciation (Note 2)	1,043,042	1,419,621
	<b>1,837,349</b>	<b>2,272,779</b>
<b>Total assets</b>	<b>41,332,486</b>	<b>49,802,778</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Unexpended portion - revenue bonds payable (Note 3)	13,219,924	20,952,206
Accounts payable (Note 4)	1,298,297	1,201,515
Due to other University departments	-	3,381
Accrued compensated absences	461,818	401,299
Other accrued liabilities (Note 7)	585,943	581,335
Accrued bond interest payable	191,955	261,256
Deferred income	54,424	42,304
<b>Total current liabilities</b>	<b>15,812,361</b>	<b>23,443,296</b>
Noncurrent Liabilities		
Accrued compensated absences	461,818	401,299
<b>Total liabilities</b>	<b>16,274,179</b>	<b>23,844,595</b>
<b>NET ASSETS</b>		
Invested in equipment	1,043,042	1,419,621
Restricted for maintenance required by bond resolution	500,000	500,000
Restricted for capital projects	2,128,783	1,091,287
Unrestricted	21,386,482	22,947,275
<b>Total net assets</b>	<b>\$ 25,058,307</b>	<b>\$ 25,958,183</b>

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
Years Ended June 30, 2006 and 2005**

	2006	2005
Revenue and Other Additions		
Sales:		
Merchandise	\$ 16,029,141	\$ 15,670,975
Utilities	136,367	129,545
Rents and fees:		
Residence hall and apartment rent	8,938,902	8,660,121
Telecommunications	4,035,481	3,794,169
Fees and games	811,692	758,341
Student fees	1,323,901	1,261,601
Nonenterprise revenue:		
Government royalties (Note 4)	13,365,000	13,365,000
Indirect cost recovery	900,000	900,000
Miscellaneous other funds	112,280	282,297
<b>Total operating revenues</b>	<b>45,652,764</b>	<b>44,822,049</b>
Operating Expenses		
Cost of sales	8,398,747	8,497,810
Operating expenses:		
Administrative assessment	1,248,316	1,274,191
Advertising	267,463	157,379
Contractual services	27,251	47,758
Credit card charges	91,793	122,122
Insurance	311,802	304,821
Laundry	63,987	40,425
Parts and supplies	1,078,678	882,014
Rent	123,618	125,503
Repairs and maintenance	790,666	823,632
Salaries	6,676,316	6,658,766
Salaries - benefits	2,408,079	2,343,629
Support services	1,808,227	1,995,767
Travel	115,496	73,675
Utilities	2,839,854	2,587,429
Utility reimbursement	(146,078)	(109,300)
Miscellaneous	153,014	148,581
<b>Balance forward</b>	<b>26,257,229</b>	<b>25,974,202</b>

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS (Continued)  
Years Ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Operating Expenses (continued)</b>		
Balance forwarded	\$ 26,257,229	\$ 25,974,202
Amortization of bond issuance costs	65,384	54,628
Depreciation	428,428	387,523
<b>Total operating expenses</b>	<b>26,751,041</b>	<b>26,416,353</b>
<b>Operating income</b>	<b>18,901,723</b>	<b>18,405,696</b>
<b>Nonoperating Revenues (Expenses) and Other Items</b>		
Investment income:		
Plant funds	767,423	255,891
Other funds	4,098,820	2,487,884
Gain on sale of assets	1,938	1,082
Interest on indebtedness	(2,495,675)	(1,952,699)
Retirement of indebtedness	(2,565,000)	(1,985,000)
Expended for plant facilities	(7,763,462)	(5,998,537)
Mandatory transfers	(92,452)	(859,875)
Nonmandatory transfers (Note 5)	(11,753,191)	(13,967,047)
<b>Total nonoperating (expenses)</b>	<b>(19,801,599)</b>	<b>(22,018,301)</b>
<b>(Decrease) in net assets</b>	<b>(899,876)</b>	<b>(3,612,605)</b>
<b>Net Assets</b>		
Beginning of year	25,958,183	29,570,788
End of year	\$ 25,058,307	\$ 25,958,183

See Notes to Financial Statements.

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash Flows from Operating Activities</b>		
Sales of merchandise	\$ 15,961,657	\$ 15,632,594
Utilities revenues	136,367	129,545
Housing revenues	9,004,499	8,631,670
Telecommunications	3,986,067	3,824,834
Student fees	2,135,593	2,019,942
Government royalties	13,365,000	13,365,000
Indirect cost recovery	900,000	900,000
Payments to suppliers	(13,969,055)	(14,128,259)
Payments to employees and fringe benefits	(9,006,289)	(8,909,386)
Payments to other University funds	(3,272,941)	(3,089,525)
Other receipts	110,856	283,142
<b>Net cash provided by operating activities</b>	<b>19,351,754</b>	<b>18,659,557</b>
<b>Cash Flows from Capital Financing Activities</b>		
Bond proceeds and original issue premium	-	16,769,678
Bond proceeds expended	(7,732,283)	(6,152,478)
Retirement of indebtedness	(2,565,000)	(1,985,000)
Purchases of plant facilities	(7,763,462)	(5,998,537)
Interest paid on capital debt	(2,564,975)	(1,882,359)
Purchase of equipment	(62,695)	(583,913)
Proceeds from sale of equipment	12,786	1,082
Bond issuance costs paid	(6,534)	(211,372)
<b>Net cash (used in) capital financing activities</b>	<b>(20,682,163)</b>	<b>(42,899)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Net transfers to other University funds	(11,845,643)	(14,826,922)
<b>Cash Flows from Investing Activities</b>		
Investment income	4,627,155	2,504,929
Redemption (purchase) of investments	11,177,057	(8,233,258)
<b>Net cash provided by (used in) investing activities</b>	<b>15,804,212</b>	<b>(5,728,329)</b>
<b>Net increase (decrease) in cash</b>	<b>2,628,160</b>	<b>(1,938,593)</b>
<b>Cash and Cash Equivalents</b>		
Beginning of year	24,410,594	26,349,187
End of year	\$ 27,038,754	\$ 24,410,594
<b>Reconciliation</b>		
Operating income	\$ 18,901,723	\$ 18,405,696
Amortization of bond issuance costs	65,384	54,628
Depreciation expense	428,428	387,523
Change in operating assets and liabilities:		
Accounts receivable	(112,285)	(49,450)
Prepaid expenses	(23,685)	7,804
Inventory	(138,978)	(596,745)
Accounts payable	96,782	494,115
Due to other University departments	(3,381)	(157,250)
Accrued liabilities and deferred income	137,766	113,236
<b>Net cash provided by operating activities</b>	<b>\$ 19,351,754</b>	<b>\$ 18,659,557</b>

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.

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.

**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, 2006 and 2005 were \$481,820 and \$432,071, 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, 2006 and 2005:

	<b>2006</b>			
	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)
<b>Equipment, net</b>	<b>\$ 1,419,621</b>	<b>\$ (365,733)</b>	<b>\$ (10,846)</b>	<b>\$ 1,043,042</b>

UNIVERSITY OF WYOMING  
THE BOND FUNDS

NOTES TO FINANCIAL STATEMENTS

	2005			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 2,344,158	\$ 583,913	\$ (5,867)	\$ 2,922,204
Less accumulated depreciation	(1,120,927)	(387,523)	5,867	(1,502,583)
<b>Equipment, net</b>	<b>\$ 1,223,231</b>	<b>\$ 196,390</b>	<b>\$ -</b>	<b>\$ 1,419,621</b>

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, 2006:

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, 2006 is \$10,750,000. 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, 2006 is \$7,670,000. 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, 2006 is \$4,155,000. 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, 2006 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, 2006 is \$15,520,000. 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, 2006 and 2005 was as follows:

		<b>2006</b>				
		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

  

		<b>2005</b>				
		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

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

	Principal	Interest
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	2,245,000	1,773,311
2012-2016	12,850,000	7,172,756
2017-2021	13,660,000	3,650,400
2022-2025	6,995,000	828,750
	49,195,000	\$ 21,858,970
Original issue discount/premium	927,012	
	<u>\$ 50,122,012</u>	

At June 30, 2006, the unexpended amount of revenue bond proceeds was \$13,219,924.

**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, 2006 and 2005. This represents approximately 27% and 28%, respectively, of the total revenue pledged to secure the Bond Funds for the years ended June 30, 2006 and 2005.

Accounts receivable has been reduced by an allowance for uncollectable accounts of \$98,842 and \$136,676 as of June 30, 2006 and 2005, respectively.

Accounts receivable include \$367,791 and \$354,932 from various departments within the University and \$410,218 and \$475,176 in accounts payable to various departments within the University as of June 30, 2006 and 2005, 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:	
2007	\$ 151,488
2008	151,488
2009	151,488
2010	75,744
<b>Total</b>	<b>\$ 530,208</b>

**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.

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

---

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,		
2006	\$ 314,473	\$ 288,460
2005	311,466	284,183
2004	217,257	496,453

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 \$407 a month for individuals and \$916 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, 2006 and 2005 was \$58,203 and \$19,426, respectively, and the total liability accrued as of June 30, 2006 and 2005 is \$379,319 and \$321,117, respectively.

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

---

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, 2006 and 2005 was \$3,915 and \$2,234, respectively, and the total liability accrued as of June 30, 2006 and 2005 is \$50,455 and \$46,540, 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. 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 \$407 for a single participant, \$802 for a participant plus his/her spouse or children, \$916 per participating family or \$458 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. 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, 2006, the carrying amount of the Bond Funds participation in the University's cash and cash equivalents was \$27,038,753. Of this amount, \$11,741,167 was on deposit with State Treasurer through the University and \$17,864,708 was the bank balance on deposits with financial institutions.

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, 2006, the Bond Funds had pooled investments with weighted average maturities as shown in the following table.

<b>Investment Type</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Weighted Average Maturity in Years</b>
U.S. Government Sponsored Enterprise Notes	<u>\$ 7,096,660</u>	<u>\$ 7,045,049</u>	0.56

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.



**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**NOTES TO FINANCIAL STATEMENTS**

---

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Rating</u> <u>AAA</u>
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, 2006, the Bond Funds held securities from the following issuers in excess of 5% of the Bond Funds portfolio: Federal Home Loan Bank 29.2%, Federal Home Loan Mortgage Corporation 17.9% and Federal National Mortgage Corporation 52.8%. All of these securities have a maturity of less than 12 months.

Cash equivalents of \$6,910,261 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, 2006**

	Bookstore	Union	Dining Services
Gross Pledged Revenue			
Sales:			
Merchandise	\$ 8,250,142	\$ 356,586	\$ 7,414,313
Utilities	-	-	-
Rents and fees:			
Residence hall and apartment rent	-	-	-
Telecommunications	-	-	-
Fees and games	-	-	-
Student fees	-	1,323,901	-
Nonenterprise revenue:			
Government royalties	-	-	-
Indirect cost recovery	-	-	-
Miscellaneous	44,567	-	-
Investment income	-	10,229	-
<b>Total revenue</b>	<b>8,294,709</b>	<b>1,690,716</b>	<b>7,414,313</b>
Operation and Maintenance Expenses			
Cost of sales	5,913,442	72,449	2,126,531
Operating expenses:			
Administrative assessment	389,920	106,291	89,155
Advertising	101,389	148,007	18,067
Contractual services	-	-	-
Credit card charges	91,793	-	-
Insurance	14,891	39,586	49,786
Laundry	-	-	63,987
Parts and supplies	83,699	117,855	383,486
Rent	112,540	-	5,321
Repairs and maintenance	17,182	40,327	145,798
Salaries	736,769	692,128	2,487,803
Salaries - benefits	260,843	244,410	928,442
Support services	-	-	-
Travel	19,025	27,821	26,180
Utilities	29,059	175,242	292,982
Utility reimbursement (1)	-	(146,078)	-
Miscellaneous	73,511	15,849	58,682
Depreciation	2,329	5,416	45,673
<b>Total expenses</b>	<b>7,846,392</b>	<b>1,539,303</b>	<b>6,721,893</b>
(Gain) from sale of assets	-	-	(95)
Interest	-	-	53,414
	<b>7,846,392</b>	<b>1,539,303</b>	<b>6,775,212</b>
<b>Pledged net revenue</b>	<b>\$ 448,317</b>	<b>\$ 151,413</b>	<b>\$ 639,101</b>

Residence Life	Non- Enterprise Revenue	Totals
\$ -	\$ 8,100	\$ 16,029,141
-	136,367	136,367
8,931,739	7,163	8,938,902
-	4,035,481	4,035,481
-	811,692	811,692
-	-	1,323,901
-	13,365,000	13,365,000
-	900,000	900,000
76,714	(10,426)	110,855
-	4,088,591	4,098,820
9,008,453	23,341,968	49,750,159
238,395	47,929	8,398,746
662,950	-	1,248,316
-	-	267,463
18,844	8,407	27,251
-	-	91,793
207,539	-	311,802
-	-	63,987
493,639	-	1,078,679
5,757	-	123,618
587,359	-	790,666
2,127,224	632,392	6,676,316
761,995	212,389	2,408,079
49,677	1,758,549	1,808,226
32,658	9,812	115,496
2,342,572	-	2,839,855
-	-	(146,078)
595	4,377	153,014
248,174	126,836	428,428
7,777,378	2,800,691	26,685,657
(1,843)	-	(1,938)
38,679	-	92,093
7,814,214	2,800,691	26,775,812
\$ 1,194,239	\$ 20,541,277	\$ 22,974,347

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**SCHEDULE OF NET PLEDGED REVENUE (Continued)  
Year Ended June 30, 2006**

	Totals
Net Pledged Revenue	<u>\$ 22,974,347</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>\$ 17,490,721</u>
Percentage of Net Pledged Revenue to Maximum Debt Service Requirement	419%
Percentage of Net Pledged Revenue to Debt Service Requirement for Fiscal Year Ending June 30, 2007	421%

(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, 2006**

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
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 10,750,000</b>	<b>\$ 4,054,840</b>	<b>\$ 14,804,840</b>	<b>\$ 7,670,000</b>	<b>\$ 3,339,618</b>	<b>\$ 11,009,618</b>	<b>\$ 4,155,000</b>	<b>\$ 408,761</b>	<b>\$ 4,563,761</b>

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	
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>\$ 5,665,704</u>	<u>\$ 16,765,704</u>	<u>\$ 15,520,000</u>	<u>\$ 8,390,051</u>	<u>\$ 23,910,051</u>	<u>\$ 71,053,974</u>

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)  
June 30, 2006**

---

1. Policy Number: 1283623	
Insurer: Lexington Insurance Company	
Expiration date: March 17, 2007	
Risks covered and amount:	\$ 100,000,000
 Policy Number: MQ2L9L441203016	
Insurer: Liberty Mutual Fire Insurance	
Expiration date: March 17, 2007	
Risks covered and amount: 50% of \$100,000,000 in excess of \$100,000,000	
 Policy Number: Z7XSP3384	
Insurer: Homeland Insurance Company of New York	
Expiration date: March 17, 2007	
Risks covered and amount: 50% of \$100,000,000 in excess of \$100,000,000	
All risks, including fire, theft	
Blanket per schedule on file	
(90% coinsurance clause)	
Flood	500,000,000
Flood (high hazard zones)	2,000,000
Earthquake	50,000,000
Miscellaneous unnamed locations (U.S.)	10,000,000
Miscellaneous unnamed locations (non-U.S.)	5,000,000
Mobile equipment	5,000,000
Transportation	2,000,000
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 \$25,000)	3,000,000
Land and water contaminant or pollutant cleanup	1,000,000
Accounts receivable	32,000,000
Automatic acquisition	25,000,000
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

Continued

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED) (Continued)  
June 30, 2006**

---

<p>3. Policy Number: None          Insurer: State of Wyoming          Expiration date: Month-to-month          Risks covered:              Workers' Compensation</p>	<p>Statutory Limits</p>
<p>4. Policy Number: ELA200600049900          Insurer: United Educators Risk Retention Group          Expiration date: March 17, 2007          Risks covered and amount:              Errors and omissions; breach of duty:                  Each claim</p>	<p>\$ 5,000,000</p>
<p>5. Policy Number: 3822(1)          Insurer: Municipal Bond Insurance Association          Expiration date: None          Risks covered:              Payment of bonds (principal and interest to bondholders)</p>	
<p>6. Policy Number: BLX200600049900          Insurer: United Educators Risk Retention Group          Expiration date: March 17, 2007          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</p>	<p>\$ 900,000          3,600,000</p>
<p>7. Policy Number: GLF200600049900          Insurer: United Educators Risk Retention Group          Expiration date: March 17, 2007          Risks covered and amount:              Excess underlying              Personal injury/property damage; advertising injury</p>	<p>\$ 3,600,000          20,000,000</p>



**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**STATEMENT OF NET ASSETS: FUND GROUP PERSPECTIVE  
June 30, 2006**

	Current Unrestricted Funds	Plant Funds			Total
		Unexpended	Funds for Renewal and Replacement	Funds for Retirement of Indebtedness	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 18,340,176	\$ 7,193,552	\$ 1,501,857	\$ 3,168	\$ 8,698,577
Accounts receivable	1,610,783	-	-	-	-
Due from other funds	-	-	-	191,817	191,817
Accrued interest receivable	452,311	56,638	-	-	56,638
Inventories	2,974,335	-	-	-	-
Investments	-	7,096,660	-	-	7,096,660
Prepaid expenses	265,657	-	-	-	-
Bond issuance costs	-	-	-	794,307	794,307
Equipment, net of accumulated depreciation	1,043,042	-	-	-	-
	<u>\$ 24,686,304</u>	<u>\$ 14,346,850</u>	<u>\$ 1,501,857</u>	<u>\$ 989,292</u>	<u>\$ 16,837,999</u>
<b>LIABILITIES</b>					
Unexpended portion	\$ -	\$ 13,219,924	\$ -	\$ -	\$ 13,219,924
Accounts payable	1,298,297	-	-	-	-
Accrued expenses	1,509,579	-	-	-	-
Accrued interest payable	-	-	-	191,955	191,955
Due to other bond funds	-	-	-	-	-
Due to other University departments	191,817	-	-	-	-
Deferred income	48,726	-	-	5,698	5,698
	<u>\$ 3,048,419</u>	<u>\$ 13,219,924</u>	<u>\$ -</u>	<u>\$ 197,653</u>	<u>\$ 13,417,577</u>
<b>NET ASSETS</b>					
Invested in equipment	\$ 1,043,042	\$ -	\$ -	\$ -	\$ -
Restricted	-	1,126,926	1,501,857	-	2,628,783
Unrestricted	20,594,843	-	-	791,639	791,639
	<u>\$ 21,637,885</u>	<u>\$ 1,126,926</u>	<u>\$ 1,501,857</u>	<u>\$ 791,639</u>	<u>\$ 3,420,422</u>

**UNIVERSITY OF WYOMING  
THE BOND FUNDS**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS: FUND GROUP PERSPECTIVE  
Year Ended June 30, 2006**

	Current Unrestricted Funds	Plant Funds		Total
		Unexpended	Funds for Renewal and Replacement	
Operating Revenues				
Sales	\$ 16,165,508	\$ -	\$ -	\$ -
Rents and fees	15,109,976	-	-	-
Government royalties	13,365,000	-	-	-
Indirect cost recovery	900,000	-	-	-
Miscellaneous	110,855	-	-	1,425
	<u>45,651,339</u>	<u>-</u>	<u>-</u>	<u>1,425</u>
Operating Expenditures				
Cost of sales	8,398,747	-	-	-
Administrative assessments	1,248,316	-	-	-
Salaries and benefits	9,084,395	-	-	-
Utilities	2,693,776	-	-	-
Other operating expenses	5,260,423	-	-	65,384
	<u>26,685,657</u>	<u>-</u>	<u>-</u>	<u>65,384</u>
<b>Operating income (loss)</b>	<u>18,965,682</u>	<u>-</u>	<u>-</u>	<u>(63,959)</u>
Nonoperating Revenues (Expenses) and Other Items				
Investment income	4,098,820	656,860	41,068	69,495
Gain on sale of assets	1,938	-	-	-
Interest on indebtedness	(92,093)	-	-	(2,403,582)
Retirement of indebtedness	-	-	-	(2,565,000)
Expenditures for plant facilities	4,850	(7,768,312)	-	(7,768,312)
Transfers in (out)	(24,844,762)	7,726,974	380,906	4,891,239
	<u>(20,831,247)</u>	<u>615,522</u>	<u>421,974</u>	<u>(7,848)</u>
<b>Net increase (decrease) in net assets</b>	<u>(1,865,565)</u>	<u>615,522</u>	<u>421,974</u>	<u>(71,807)</u>
Net Assets, beginning of year	23,503,450	511,404	1,079,883	863,446
Net Assets, end of year	<u>\$ 21,637,885</u>	<u>\$ 1,126,926</u>	<u>\$ 1,501,857</u>	<u>\$ 791,639</u>
				<u>\$ 3,420,422</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, 2006, and have issued our report thereon dated September 26, 2006.

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.

Cheyenne, Wyoming  
September 26, 2006