

# ***Miami University***

*Financial Statements as of and for the Years  
Ended June 30, 2004 and 2003 and Single Audit  
Reports for the Year Ended June 30, 2004*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Miami University  
107 Roudebush Hall  
Oxford, Ohio 45056

We have reviewed the Independent Auditor's Report of Miami University, Butler County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Miami University is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 21, 2004

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# MIAMI UNIVERSITY

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## INDEPENDENT AUDITORS' REPORT

President and Board of Trustees of Miami University  
and Betty Montgomery, Auditor of State of Ohio

We have audited the accompanying statements of net assets of Miami University (the "University") as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the University. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Miami University as of June 30, 2004 and 2003, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in fiscal year 2004, the University implemented the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

Management's Discussion and Analysis on pages 2-9 is not a required part of the basic financial statements but is supplementary information required by GASB. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of Miami University. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte & Touche LLP*

October 7, 2004

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## JUNE 30, 2004

### Introduction

The following discussion and analysis provides an overview of the financial position and activities of Miami University for the year ended June 30, 2004. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared by and are the responsibility of university management.

### Using the Financial Statements

The university's annual report contains three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Other Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37 and 38.

Effective July 1, 2003 the university adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The university has determined that by definition the Miami University Foundation is a component unit of the university and as such, is included through a discrete presentation as part of the university's financial statements.

The financial statements of the university have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred. For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34 and 35.

### Financial Highlights

Overall the university's financial position remained strong at June 30, 2004, with total assets of \$777.3 million and liabilities totaling \$164.6 million. Highlights from fiscal year 2004 include the issuance of \$61.4 million in general receipts bonds and the continuation of the decrease in the state's support of instruction in the amount of \$0.3 million. In anticipation of the current year and the previous year's reduction in state support, during fiscal year 2002 the University utilized an 18-month planning process to impose a permanent departmental budget cut on the Oxford campus of \$3.1 million. Through this and other initiatives, the university was able to hold tuition increases below 10 percent and not have to use any reserves for the second consecutive year.

In fiscal year 2004, the Oxford campus tuition increased by 9.9 percent. This increase was used for such items as the offset in the decrease in state support for instruction and other educational programs, increases in university-funded student financial assistance, and the continual rise in health care costs. In addition, the increase was used for information technology, including the upgrade to the network infrastructure and the initial installation of the wireless network service.

Beginning in the fall of 2004, the university implemented the new tuition and scholarship plan, which completely restructured Miami's tuition and financial aid strategies for Ohio residents. Under this new plan, all Oxford campus undergraduate students were charged the same tuition regardless if they are in-state (Ohio residents) or out-of-state students. However, every in-state student received a fixed-dollar Ohio Residency Scholarship that was equal to or greater than the instructional support from the State of Ohio. In addition, each Ohio student received a sizable Ohio Leader Scholarship that was awarded to each student based on financial need. As this was the first year of the new plan, all students were charged the same net amount as before the plan so there was essentially no significant financial impact to the university. Beginning in the fall of 2005, variable Ohio Leader Scholarships awards will be awarded.

## **Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities and net assets of the university as of the end of the fiscal year. The difference between total assets and total liabilities, or net assets, is one indicator of the overall strength of the institution. Also, the overall increase or decrease in total net assets indicates whether the financial position of the institution is improving or declining. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reports the institution's net equity in property, plant and equipment. The second major category, restricted net assets, reports net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The corpus of the unexpendable restricted net assets is available for investment purposes only. The expendable restricted net assets may be expended by the institution, but must be spent only for the purpose as determined by a donor or external entity. The third category is unrestricted net assets and is separated into two types; allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are allocated for a specific purpose within the institution by university policy, management or the governing board. The allocated unrestricted net assets were \$155,080,664 and \$135,810,193 as of June 30, 2004 and 2003 respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.



	2004	2003	2002
<b>Assets</b>			
Current assets	\$ 249,611,708	\$ 191,119,444	\$ 176,379,695
Capital assets, net	409,022,876	385,428,786	375,016,654
Investments	111,278,979	95,064,268	98,060,540
Other assets	7,383,225	6,462,776	5,971,261
<b>Total assets</b>	<b>\$ 777,296,788</b>	<b>\$ 678,075,274</b>	<b>\$ 655,428,150</b>
<b>Liabilities</b>			
Current liabilities	\$ 59,463,730	\$ 51,743,829	\$ 48,808,108
Noncurrent Liabilities	105,147,848	58,716,744	72,971,105
<b>Total liabilities</b>	<b>\$ 164,611,578</b>	<b>\$ 110,460,573</b>	<b>\$ 121,779,213</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 352,501,735	\$ 335,968,305	\$ 320,281,245
Restricted net assets – nonexpendable	59,179,274	51,566,539	53,083,183
Restricted net assets – expendable	36,550,402	34,315,935	33,576,599
Unrestricted net assets	164,453,799	145,763,922	126,707,910
<b>Total net assets</b>	<b>\$ 612,685,210</b>	<b>\$ 567,614,701</b>	<b>\$ 533,648,937</b>
<b>Total liabilities and net assets</b>	<b>\$ 777,296,788</b>	<b>\$ 678,075,274</b>	<b>\$ 655,428,150</b>

Total assets of the institution increased 14.6 percent or \$99.2 million. The increase in current assets was a result of investing the bond proceeds into short-term investment instruments. Also, a portion of the increase in short-term and the increase in long-term investments reflect the continuation of the change to the investment policy that yields higher earning returns. The McGuffey Hall rehabilitation, Yager Stadium addition and rehabilitation, new Student Apartment Style Housing, International Paper Building renovation, purchase of new computer infrastructure and equipment, and the purchase of 230 acres of land all account for the increase in net capital assets. The other asset category experienced a modest increase.

Total liabilities of the institution increased 49.0 percent or \$54.2 million. This is primarily the net result of the \$7.7 million increase in the current liabilities and the \$47.7 million increase in total debt. The increase in bonds payable is a net result of the issuance of the Series 2003 general receipt bonds, the defeasement of the Series 1993 Bonds, and the annual debt principal payment. The majority of the increase in current liabilities was reported in accounts payable. All other current liabilities and long-term liabilities remained relatively unchanged.

The increase in assets and the increase in liabilities yielded the overall net increase in net assets of \$45.1 million. Specifically, capital assets, net of related debt increased \$16.5 million or 4.9 percent is primarily due to the recording of the renovation, rehabilitation or purchase of new capital assets, as previously discussed. The increase of \$7.6 million or 14.8 percent in non-expendable restricted net assets is a result of the market recovery and the increase in the endowment fund corpus. The \$18.7 million or 12.8 percent increase in the unrestricted net assets is a net result of three items; a net increase in the allocated fund, a net increase in the corpus of the quasi-endowment fund due to market recovery, and a net increase in the renewals and replacements.

During the year ended June 30, 2003, total assets of the institution increased 3.5 percent or \$22.6 million. This increase was primarily due to the increase in current assets and capital assets, net of accumulated depreciation. Total liabilities decreased 9.3 percent or \$11.3 million. This is the net result of an increase in the current liabilities, the payment of debt principal, and the reversal of the allocation of state unfunded workers' compensation liability. The increase in assets and the decrease in liabilities yielded the overall increase in net assets of \$34.0 million. Specifically, capital assets, net of related debt increased \$15.7 million or 4.9 percent due to an increase in capital assets. Also, the decrease of \$1.5 million or 2.9 percent in non-expendable restricted net assets is a result of the market decline and the reduction of the endowment fund corpus. Finally, the \$19.1 million or 15.0 percent increase in the unrestricted net assets is a net result of four items; a net increase in the allocated fund, a small net decrease in the corpus of the quasi-endowment fund due to market declines, a net increase in the renewals and replacements fund, and the reversal of the allocation of state unfunded workers' compensation liability.

### Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the university's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or non-operating. Operating revenues are generated by providing goods and services to various customers and constituencies of the institution. Operating expenses are incurred when goods and services are provided by vendors and employees for the overall operations of the university. Non-operating revenues are received without an exchange for goods and services. Interest on debt is the primary example of a non-operating expense. Revenue from state capital appropriations is reported as other revenue.

	2004	2003	2002
Operating revenues			
Student tuition and fees, net	\$ 183,156,558	\$ 166,193,798	\$ 148,839,525
Sales and services of auxiliary enterprises, net	81,817,885	79,591,938	75,700,425
Sponsored programs	10,321,355	10,242,993	10,181,134

	2004	2003	2002
Other operating revenue	7,146,906	6,674,887	6,209,079
Total operating revenues	282,442,704	262,703,616	240,930,163
Operating expenses			
Instruction and departmental research	138,528,525	131,985,962	127,847,588
Auxiliary enterprises	87,108,056	83,700,099	80,824,404
Institutional support	35,011,994	31,985,057	28,799,434
Academic support	30,176,484	27,231,648	23,221,591
Plant operation and maintenance	25,800,147	23,974,900	22,576,876
Depreciation	24,745,892	23,824,773	21,223,092
Student services	21,041,864	20,542,620	19,101,324
Student scholarships	11,209,336	10,455,233	8,779,312
Other operating expenses	17,516,612	12,588,050	13,497,630
Total operating expenses	391,138,910	366,288,342	345,871,251
<b>Net operating loss</b>	<b>(108,696,206)</b>	<b>(103,584,726)</b>	<b>(104,941,088)</b>
Non-operating revenues			
State share of instruction	80,078,439	80,385,851	83,079,623
Net investment income (loss)	31,458,749	9,964,740	(6,234,947)
Gifts	14,912,521	13,232,260	15,580,569
Other non-operating revenues	12,100,259	13,288,569	23,327,834
<b>Total non-operating revenues</b>	<b>138,549,968</b>	<b>116,871,420</b>	<b>115,753,079</b>
Non-operating expenses	(2,500,377)	(3,350,932)	(2,925,622)
<b>Other revenues and expenses</b>	<b>17,717,124</b>	<b>13,613,214</b>	<b>20,137,773</b>
Extraordinary items	0	10,416,788	0
<b>Increase in net assets</b>	<b>45,070,509</b>	<b>33,965,764</b>	<b>28,024,142</b>
Net assets at the beginning of year	567,614,701	533,648,937	505,624,795
<b>Net assets at the end of year</b>	<b>\$ 612,685,210</b>	<b>\$ 567,614,701</b>	<b>\$ 533,648,937</b>

Total operating revenue increased by 7.5 percent or \$19.7 million. This increase is primarily a result of an increase in the Oxford campus student tuition and fee rate of 9.9 percent for in-state and 10.9 percent out-of-state, and the 7 percent increase in room and board rates. Student tuition and fees at the regional campus increased between 6 percent and 9 percent.

Total operating expenses increased by 6.8 percent or \$24.9 million. This increase is mainly due to the 3 percent average increase in employee salaries, increases in employee benefit costs such as health care insurance, and an increase in institutional financial aid awards.

Non-operating revenues and expenses increased by \$22.5 million or 19.8 percent. Primarily, this increase is attributable to a \$2.8 million increase in investment income, a substantial increase in the fair market value of investments of \$18.5 million, and a \$1.7 million increase in gifts. In addition, the \$0.3 million decrease in state support for instruction and other educational programs is also included in this section of the report.

Under the other revenue section, State Capital Appropriations increased by \$1.6 million. This variation is a result of timing and the completion of several capital projects. It is not a result of an increase in state capital appropriation funding. The state supported capital projects in fiscal year 2004 include the renovation of McGuffey Hall, the renovation of the former International Paper building and Utility Upgrades. In addition, Capital Grants and Gifts increased \$3.7 million and Additions to Permanent Endowments decreased \$1.2 million.

During the year ended June 30, 2003, total operating revenue increased by 9.0 percent or \$21.8 million. This increase was a result of a modest increase in student enrollment, the increase in the student tuition and fee rates, and the increase in room and board rates. Total operating expenses increased by 5.9 percent or \$20.4 million. This increase was mainly due to the 3 percent average increase in employee salaries, increases in employee benefit costs such as health care insurance, and an increase in institutional financial aid awards. Non-operating revenues and expenses increased by \$0.7 million or one percent. Other revenue and expenses decreased by \$6.5 million. The extraordinary item was a \$10.4 million reduction of expense related to the State of Ohio's reversal of the previous decision to require state universities to record a portion of the state's workers' compensation liability. In fiscal year 2002, this expense was recorded as \$3.3 million in Operating Expenses and a \$7.1 million decrease in the Net Asset Beginning Balance in the Statement of Revenues, Expenses, and Changes in Net Assets.

## Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the major sources and uses of cash by the institution for the fiscal year. The cash flow analysis is divided into four major areas: Cash Flows from Operating Activities, Cash Flows from Non-capital Financing Activities, Cash Flows from Capital and Related Financing Activities, and Cash Flows from Investing Activities.

	2004	2003	2002
Net cash used by operating activities	\$ (80,257,908)	\$ (74,676,381)	\$ (80,890,807)
Net cash provided by non-capital activities	104,937,124	106,076,378	124,073,936
Net cash used for capital and related financing activities	16,061,093	(30,053,968)	(33,700,707)
Net cash provided/(used) by investing activities	(46,523,720)	(1,448,786)	(13,219,682)
<b>Net increase/(decrease) in cash</b>	<b>(5,783,411)</b>	<b>(102,757)</b>	<b>(3,737,260)</b>
Cash and cash equivalents at beginning of year	36,487,999	36,590,756	40,328,016
<b>Cash and cash equivalents at end of year</b>	<b>\$ 30,704,588</b>	<b>\$ 36,487,999</b>	<b>\$ 36,590,756</b>

The university's cash and cash equivalents remained relatively unchanged. Throughout the year cash was used for capital acquisitions, payment of debt, investment activities, and operating activities. These uses of cash were offset in part by the cash provided by tuition and fees, the state share of instruction, sales by auxiliary enterprises, gifts, and grants.

## Capital Assets and Debt Administration

During fiscal year 2004, the university had numerous capital construction projects in progress. The major projects include the McGuffey Hall renovation, the Yager Stadium renovation and addition, the new Student Apartment Style Housing, the former International Paper building, and Utility Upgrades. Several of these projects are funded by the proceeds from the bond issuance as discussed in the following paragraph. See footnote 4 for additional information concerning capital assets and the related accumulated depreciation.

On October 1, 2003, the University issued \$61,400,000 in General Receipts Revenue and Refunding Bonds. The proceeds are to be used for the following purposes: to refund a portion of the remaining Miami University General Receipts Bonds, Series 1993, to construct, equip and furnish a student housing facility, to construct parking facilities, to purchase and/or construct University utility improvements, to renovate portions of the Shriver Center, to construct improvements to Yager Athletic Complex, for the planning and designing of a new ice arena, psychology building and renovation of Presser Hall and to pay a portion of the costs associated with the issuance.

Scheduled debt payments were made on the 1993 general receipt bonds, the 1998 general receipt bonds, the 2003 general receipt bonds, and the outstanding U. S. Department of Education note payable. There were no significant changes in the outstanding capital lease balance or payments during fiscal year 2004. The university's bond rating remained the same with a rating of A1 from Moody's and a rating of A+ from Standard and Poors. For more detailed information on current outstanding debt, see footnote 6.

## **Economic Factors That Will Affect the Future**

After a successful first year that exceeded expectations, the university will continue the implementation of the new tuition and scholarship plan for Ohio residents in the fall of 2005. In this second year of the plan, incoming undergraduate freshman from Ohio on the Oxford campus will receive \$25.5 million in two renewable scholarships. The Ohio Resident Scholarship (ORS) of \$5,000 is fixed and indexed to the state subsidy and the Ohio Leader Scholarship (OLS) will range from \$5,000 to \$6,200 for each student. The OLS distribution will vary depending on the needs and circumstances of each Ohio first-year student. Although it was anticipated the number of applications may decline due to confusion or uncertainty about the new plan, applications actually increased by 8 percent to an all-time record of nearly 15,000. The goals of this new plan continue to include making a Miami education more affordable for low and middle income Ohioans, providing incentives for top Ohio students to stay in Ohio and study in areas crucial to Ohio's future, and broadening the socioeconomic, academic and racial diversity of the student body. With the successes experienced in the initial years of the plan, it appears these goals are certainly achievable.

During fiscal year 2004, the university's state share of instruction declined by \$0.3 million. This follows a \$2.7 million decline in subsidy in fiscal year 2003. In addition, the recovery of the state's economic condition appears questionable and as such, the state may have a significant structural budget deficit to address in the 2005 - 2006 biennium. The economic outlook is still very uncertain and state support for instruction could be reduced again in the future. In addition, the state support for capital projects is likely to decrease as well.

The university's fiscal year 2003 senate bill 6 ratios, which measure the overall financial condition of the institution and its ability to meet future obligations, were the highest of any four-year public university in Ohio. The university's financial stability is a result of a number of factors, including a tradition of conservative fiscal management, strong enrollment and relatively lean staffing across-the-board.

In April 2005, the university will launch the public phase of a major capital campaign, which will bring much needed support for scholarships, instructional programs, and capital construction.

Through the strength of sound fiscal management and in spite of the continual decline of state support, the university continues to be financially well positioned and will continue to follow the long-range plan which includes creating new faculty positions, upgrading the information technology division and infrastructure, constructing new and rehabilitating existing buildings and the implementing the next steps of the new tuition and scholarship plan. Miami's vision and long-range plans continue to focus on delivering the highest level of service to our students.

**Miami University**  
**Statement of Net Assets**  
**June 30, 2004 and 2003**

	<b>Miami University</b>		<b>University Foundation</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 30,704,588	\$ 36,487,999	\$ 1,257,040	\$ 889,459
Investments (includes \$41.4 million in restricted bond proceeds at June 30, 2004)	188,658,475	126,851,694	0	0
Accounts, pledges and notes receivable, net	25,742,192	22,973,492	854,069	241,941
Inventories	3,161,164	3,215,922	0	0
Prepaid expenses and deferred charges	1,345,289	1,590,337	0	0
Total current assets	<u>249,611,708</u>	<u>191,119,444</u>	<u>2,111,109</u>	<u>1,131,400</u>
<b>NONCURRENT ASSETS</b>				
Restricted cash and cash equivalents	0	0	2,572,441	1,061,237
Investments	111,278,979	95,064,268	148,609,370	122,959,550
Pledges and notes receivable, net	7,383,225	6,462,776	17,647,891	11,384,113
Capital assets, net	409,022,876	385,428,786	0	114,566
Total noncurrent assets	<u>527,685,080</u>	<u>486,955,830</u>	<u>168,829,702</u>	<u>135,519,466</u>
<b>Total assets</b>	<b>\$ <u>777,296,788</u></b>	<b>\$ <u>678,075,274</u></b>	<b>\$ <u>170,940,811</u></b>	<b>\$ <u>136,650,866</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 16,615,457	\$ 12,446,183	\$ 5,142,883	\$ 4,149,960
Accrued salaries and wages	15,044,562	15,819,776	0	0
Accrued compensated absences	825,574	745,736	0	0
Deferred revenue	11,443,560	9,500,507	0	0
Deposits	8,290,502	7,668,918	0	0
Long term debt - current portion	7,244,075	5,562,709	0	0
Other current liabilities	0	0	0	0
Total current liabilities	<u>59,463,730</u>	<u>51,743,829</u>	<u>816,106</u>	<u>753,735</u>
<b>NONCURRENT LIABILITIES</b>				
Accrued compensated absences	10,408,587	10,008,495	0	0
Bonds payable	84,931,327	37,784,884	0	0
Note payable	2,117,082	2,169,699	61,489	61,502
Capital leases payable	1,378,479	2,477,606	0	0
Federal Perkins loan program	6,312,373	6,276,060	0	0
Other noncurrent liabilities	0	0	0	0
Total noncurrent liabilities	<u>105,147,848</u>	<u>58,716,744</u>	<u>7,281,503</u>	<u>7,141,894</u>
Total liabilities	<u>164,611,578</u>	<u>110,460,573</u>	<u>13,301,981</u>	<u>12,107,091</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	352,501,735	335,968,305	0	114,566
Restricted net assets				
Nonexpendable	59,179,274	51,566,539	111,982,069	95,771,828
Expendable	36,550,402	34,315,935	44,827,506	27,969,710
Unrestricted net assets	<u>164,453,799</u>	<u>145,763,922</u>	<u>829,255</u>	<u>687,671</u>
Total net assets	<u>612,685,210</u>	<u>567,614,701</u>	<u>157,638,830</u>	<u>124,543,775</u>
<b>Total liabilities and net assets</b>	<b>\$ <u>777,296,788</u></b>	<b>\$ <u>678,075,274</u></b>	<b>\$ <u>170,940,811</u></b>	<b>\$ <u>136,650,866</u></b>

See accompanying notes to financial statements.

**Miami University**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Year ended June 30, 2004 and 2003**

	<b>Miami University</b>		<b>University Foundation</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>OPERATING REVENUES</b>				
Tuition, fees, and other student charges	\$ 312,631,069	\$ 187,617,299	\$ 0	\$ 0
Less Ohio Leader and Ohio Resident Scholarships	(106,988,715)	0	0	0
Less allowance for student scholarships	(22,485,796)	(21,423,501)	0	0
Net tuition, fees, and other student charges	<u>183,156,558</u>	<u>166,193,798</u>	<u>0</u>	<u>0</u>
Sales and services of auxiliary enterprises	84,238,896	81,841,719	0	0
Less allowance for student scholarships	(2,421,011)	(2,249,781)	0	0
Net sales and services of auxiliary enterprises	<u>81,817,885</u>	<u>79,591,938</u>	<u>0</u>	<u>0</u>
Federal contracts	7,166,513	6,023,881	0	0
Gifts	0	0	9,270,754	4,586,772
Sales and services of educational activities	4,581,038	3,971,119	0	0
Private contracts	1,989,755	1,901,788	0	0
State contracts	765,743	1,847,155	0	0
Local contracts	399,344	470,169	0	0
Other	2,565,868	2,703,768	8,250	4,640
Total operating revenues	<u>282,442,704</u>	<u>262,703,616</u>	<u>9,279,004</u>	<u>4,591,412</u>
<b>OPERATING EXPENSES</b>				
Instruction and departmental research	138,528,525	131,985,962	0	0
Auxiliary enterprises	87,108,056	83,700,099	0	0
Institutional support	35,011,994	31,985,057	0	0
Academic support	30,176,484	27,231,648	0	0
Plant operation and maintenance	25,800,147	23,974,900	0	0
Depreciation	24,745,892	23,824,773	0	0
Student services	21,041,864	20,542,620	0	0
Student scholarships	11,209,336	10,455,233	0	0
Separately budgeted research	7,873,532	6,969,705	0	0
Public service	1,795,171	2,049,220	0	0
Other	7,847,909	3,569,125	3,715	3,828
Total operating expenses	<u>391,138,910</u>	<u>366,288,342</u>	<u>3,715</u>	<u>3,828</u>
Net operating gain (loss)	<u>(108,696,206)</u>	<u>(103,584,726)</u>	<u>9,275,289</u>	<u>4,587,584</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State share of instruction	80,078,439	80,385,851	0	0
Gifts, including \$6,473,786 in FY04 and \$5,683,671 in FY03 from the University Foundation	14,912,521	13,232,260	0	0
Federal grants	8,886,600	8,919,441	0	0
Net investment income (loss), net of investment expense of \$269,235 for University and \$323,921 for the Foundation in FY04 and \$352,940 for University and \$313,034 for the Foundation in FY03	31,458,749	9,964,740	22,728,981	(759,199)
State grants	2,042,447	1,859,085	0	0
Interest on debt	(2,268,808)	(2,501,484)	0	0
Payments to Miami University	0	0	(6,473,786)	(5,683,671)
Other non-operating revenues (expenses)	939,643	1,660,595	1,203,121	156,870
Net non-operating revenues (expenses)	<u>136,049,591</u>	<u>113,520,488</u>	<u>17,458,316</u>	<u>(6,286,000)</u>
Income before other revenues, expenses, gains or losses and extraordinary items	<u>27,353,385</u>	<u>9,935,762</u>	<u>26,733,605</u>	<u>(1,698,416)</u>
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>				
State capital appropriation	13,322,718	11,752,750	0	0
Capital grants and gifts	4,190,759	492,439	0	0
Additions to permanent endowments	203,647	1,368,025	6,361,450	6,625,033
Income before extraordinary items	<u>45,070,509</u>	<u>23,548,976</u>	<u>33,095,055</u>	<u>4,926,617</u>
<b>EXTRAORDINARY ITEMS</b>				
Reversal of 2002 Workers' Compensation allocation	0	10,416,788	0	0
<b>INCREASE IN NET ASSETS</b>	<u>\$ 45,070,509</u>	<u>\$ 33,965,764</u>	<u>\$ 33,095,055</u>	<u>\$ 4,926,617</u>
Net assets at beginning of year	<u>567,614,701</u>	<u>533,648,937</u>	<u>124,543,775</u>	<u>119,617,158</u>
Net assets at end of year	<u>\$ 612,685,210</u>	<u>\$ 567,614,701</u>	<u>\$ 157,638,830</u>	<u>\$ 124,543,775</u>

See accompanying notes to financial statements.



**Miami University**  
**Statement of Cash Flows**  
**Year ended June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition, fees, and other student charges	\$ 207,320,667	\$ 190,023,834
Sales and services of auxiliary enterprises	84,939,310	81,808,704
Contracts	11,860,413	12,119,929
Other operating receipts	7,269,174	6,787,336
Payments for employee compensation and benefits	(251,683,778)	(176,961,289)
Payments to vendors for services and materials	(105,980,596)	(156,534,452)
Student scholarships	(33,695,132)	(31,878,734)
Loans issued to students and employees	(2,535,721)	(2,521,120)
Collection of loans from students and employees	2,247,755	2,479,411
Other operating payments	0	0
Net cash used by operating activities	<u>(80,257,908)</u>	<u>(74,676,381)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State share of instruction	80,078,439	80,385,851
Grants for noncapital purposes	10,903,713	10,772,975
Gifts	13,954,972	14,917,552
Net cash provided by noncapital financing activities	<u>104,937,124</u>	<u>106,076,378</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State capital appropriation	11,008,382	11,970,816
Grants for capital purposes	35,334	40,552
Other capital and related receipts	137,995	470,666
Proceeds from debt obligations	64,347,132	0
Payments to construct, renovate, or purchase capital assets	(40,238,076)	(34,450,992)
Principal paid on outstanding debt	(15,923,073)	(5,823,323)
Interest paid on outstanding debt	(3,306,601)	(2,261,687)
Net cash provided by/(used for) capital and related financing activities	<u>16,061,093</u>	<u>(30,053,968)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	578,993,466	509,576,077
Purchases of investments	(634,095,886)	(519,449,643)
Endowment income	1,879,676	651,272
Other investment income	6,699,024	7,773,508
Net cash used by investing activities	<u>(46,523,720)</u>	<u>(1,448,786)</u>
<b>NET DECREASE IN CASH</b>	<b>\$ (5,783,411)</b>	<b>\$ (102,757)</b>
Cash and cash equivalents at beginning of year	<u>36,487,999</u>	<u>36,590,756</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$ <u>30,704,588</u></b>	<b>\$ <u>36,487,999</u></b>

See accompanying notes to financial statements.

**Miami University**  
**Statement of Cash Flows**  
**Year ended June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Net Operating Loss, per Statement of Revenues, Expenses, and Changes in Net Assets	\$ (108,696,206)	\$ (103,584,726)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	24,745,892	23,824,773
Net loss on disposal of capital assets	798,166	403,266
Accounts receivable bad debt write off	712,460	2,230,055
Adjustments to reconcile change in net assets to net cash used by operating activities		
Accounts receivable	942,458	(1,020,979)
Inventories	54,758	75,521
Prepaid expenses	250,090	(856,376)
Notes receivable	(264,997)	20,148
Accounts payable	809,484	1,502,327
Accrued salaries	(775,214)	547,151
Compensated absences	479,930	614,434
Deferred income	648,958	1,498,973
Federal Perkins loans	36,313	69,052
<b>Net cash used by operating activities</b>	<b>\$ <u>(80,257,908)</u></b>	<b>\$ <u>(74,676,381)</u></b>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004 AND 2003

### (1) Summary of Significant Accounting Policies

Miami University (the university) is a land grant institution chartered by the State of Ohio in 1809 and governed by a Board of Trustees (the board). The board consists of 11 members, including two student members. Members are appointed one each year for nine-year terms by the governor with the advice and consent of the state senate. The two student non-voting members are appointed for two-year staggered terms by the governor with the advice and consent of the senate.

The university's financial statements are included as a discretely presented component unit in the State of Ohio's Comprehensive Annual Financial Report.

### Basis for Presentation

Effective July 1, 2001, the university adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37 and 38. These statements establish standards for external financial reporting and provide a comprehensive perspective of the university's assets, liabilities, net assets, revenues, expenditures and cash flows.

Effective July 1, 2003 the university adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The provisions of this Statement are effective for financial statements for the fiscal year ending June 30, 2004. At this time, the university has determined that by definition the Miami University Foundation is a component unit of the university. The financial activity of the Miami University Foundation is included through a discrete presentation as part of the university's financial statements.

In March 2003, GASB Statement No. 40, *Deposit and Investment Risk Disclosures* was issued. This Statement amends GASB Statement No. 3. The new statement requires that state and local governments, including colleges and universities, disclose essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004. The University is planning to comply with the new disclosure requirements beginning with the fiscal year ending June 30, 2005. The university has determined that this statement will not have a significant impact on the financial statements.

The financial statements of the university have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recorded when the related liability has been incurred. Certain amounts in the 2003 financial statements have been reclassified to conform with the 2004 presentation. For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34 and 35. The university has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 1989, which do not conflict with or contradict GASB pronouncements. The university has elected not to apply any FASB pronouncements issued after November 1989.

### **Cash and Cash Equivalents**

Cash consists primarily of cash in banks and money market accounts. Cash equivalents are short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less.

### **Investments**

Investments that are market traded, such as equity and debt securities, mutual funds, and cash equivalents, are recorded at fair value. The fair value of investments is based on quoted market prices. Real estate is recorded at appraised value.

### **Inventories**

Inventories are stated at the lower of first-in, first-out cost or net realizable value.

### **Capital Assets**

Land, buildings, and equipment are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. Land and collections of works of art and historical treasures are capitalized but not depreciated. Any collection that is not capitalized is charged to operations at the time of purchase. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings, 25 years for infrastructure, library books and land improvements, 20 years for improvements to buildings, and 5 to 7 years for equipment, vehicles and furniture. The university's capitalization threshold is 5% of the original building cost for building renovations and \$1,200 for all other capitalized items.

### **Deferred Revenue**

Tuition and fees relating to summer sessions that are conducted in July and August are recorded in the accompanying statement of net assets as deferred revenue. Deferred revenue also includes the computer sales in the university bookstore for the fall semester and the amounts received from grants and contract sponsors that have not yet been earned. These will be recorded as revenue in the following fiscal year.

### **Operating and Non-operating Revenue**

The university defines operating activities, for purposes of reporting on the Statement of Revenues, Expenses and Changes in Net Assets, as those activities that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Substantially all of the university's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

## **Compensated Absences**

Full-time unclassified staff earn vacation at rates of 18 to 22 days per year, based on the term of their employment contract, with a maximum accrual of 40 days. Classified employees earn vacation at rates ranging from 10 to 25 days per year, based on years of service, with a maximum accrual equivalent to the amount earned in three years. Upon retirement, termination, or death, the employee is compensated at the final rate of pay for unused vacation up to the maximum allowed accrual. Faculty accrue no vacation benefits.

Full-time faculty, unclassified and classified staff earn 15 days of sick leave per year and individuals who work less than full-time earn sick leave on a pro-rata basis. There is no limit on the number of sick leave hours that can be accumulated. Upon retirement a staff member with 10 or more years of Ohio public service is paid for one-fourth the value of earned but unused sick leave not to exceed 30 days, based on the employee's rate of pay at the time of retirement. Persons leaving employment for reasons other than retirement are not compensated for unused sick leave.

## **Net Assets**

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, reports the institution's net equity in property, plant and equipment. The second major category is restricted net assets. This category contains net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The corpus of the unexpendable restricted net assets is available for investment purposes only. The expendable restricted net assets may be expended by the institution, but must be spent only for the purpose as determined by a donor or external entity. The income generated from the unexpendable restricted investments and the expendable restricted funds may be used for student loans, scholarship and fellowships, instruction, research, and other needs to support the operation of the university. The third category is unrestricted net assets and is separated into two types; allocated and unallocated. Allocated unrestricted net assets are available to the institution, but are allocated for a specific purpose within the institution by university policy, management or the governing board. The allocated unrestricted net assets were \$155,080,664 and \$135,810,193 as of June 30, 2004 and 2003, respectively. Unallocated unrestricted net assets are available to be used for any lawful purpose of the institution.

## **Tax Status**

The university is exempt from federal income taxes under Section 115 of the Internal Revenue Code. As such, the university is subject to federal income taxes only on unrelated business income, if any, under the provisions of Section 511 in the Internal Revenue Code.

## **Estimates**

Management has made, where necessary, estimates and judgments that affect certain amounts reported in the financial statements. The estimates and judgments are based on currently available information, and actual results could differ from those estimates.

## **(2) Cash and Investments**

The university makes investments in accordance with the board's policy, which conforms with the authority granted in the Ohio Revised Code. The purchase of specific investment instruments is at the discretion of the university treasurer within these policy guidelines.

At year-end, the carrying amount of the university's cash and cash equivalents was approximately \$30,705,000. Cash and cash equivalents include mutual and pooled investment funds that allow for daily withdrawals. The mutual and pooled investment funds, which total approximately \$30,541,000 and equates to the amount on deposit, have short-term to intermediate-term durations and are stated at quoted market value. The carrying amount of the university's cash was approximately \$163,214 as compared to the bank balances of approximately \$3,171,584. The difference in the carrying amount and the bank balances are caused by deposits in transit and outstanding checks. Approximately \$400,000 was covered by federal depository insurance, \$2,684,028 was covered by collateral held by third-party trustees pursuant to paragraph 135.181 of the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, and the remainder was not collateralized or insured.

Investments held by the university as of June 30, 2004 are presented below. Investments are categorized according to the level of custodial credit risk involved. The university's investments in U.S. government securities, common and preferred stocks, and corporate bonds and notes are categorized as credit risk category 1, which includes investments that are insured or registered, or securities held by Miami University or its agent in the university's name. The university holds no investments in credit risk category 2, which includes investments that are collateralized with securities held by a pledging financial institution's trust department or agent in the university's name. Likewise, the university holds no investments in credit risk category 3, which are uninsured and unregistered investments held by a trust department or agent, but not in the university's name. Certain other investments are not required to be categorized.

<b>Fair Value</b>	<b>2004</b>	<b>2003</b>
<b>Category 1</b>		
Common and preferred stocks	\$ 63,246,033	\$ 55,749,917
U. S. Government securities	60,158,104	37,890,778
Corporate Bonds	18,111,840	18,731,951
<b>Total Investments – Category 1</b>	<b>\$ 141,515,977</b>	<b>\$ 112,372,646</b>

<b>Fair Value (continued)</b>	2004	2003
<b>Not Categorized</b>		
Mutual funds	\$ 125,316,323	\$ 88,558,897
State Treasury Asset Reserve of Ohio (STAROhio)	30,222,303	17,476,820
Limited partnerships	2,257,329	2,718,767
Real estate and other	625,522	788,832
<b>Total Investments Not Categorized</b>	<b>\$ 158,421,477</b>	<b>\$ 109,543,316</b>
<b>Total</b>	<b>\$ 299,937,454</b>	<b>\$ 221,915,962</b>

Due to significantly higher cash flows at certain times during the year, the amount of the university's investment in each of the above investment categories may be substantially higher during the year than at year-end.

STAROhio is an investment pool managed by the state treasurer's office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. The investment is valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004 and 2003.

The mutual funds include a wide range of investments, including hedge funds. These hedge funds may include, but are not limited to, investments in equity securities, mutual funds, limited and general partnerships, foreign securities, short sales positions, distressed securities, fixed income securities, options, currencies, commodities, futures and derivatives. The university's objective for investing in these hedge funds is to provide stable, absolute returns that are uncorrelated to fluctuations in the stock and bond markets.

The majority of limited partnerships, private equity, and other investments are carried at estimated fair value provided by the management of these funds as of March 31, 2004 and 2003 as adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2004 and 2003. The university believes that the carrying amount is a reasonable estimate of fair value as of June 30, 2004 and 2003. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements using the equity method of accounting. As of June 30, 2004, the university has made commitments to limited partnerships totaling \$4.4 million that have not yet been funded.

Annually the university establishes a spending rate that defines the total amount of dividends, interest, and realized gains to be distributed from the endowment fund investment pool to other funds. The authorized spending amount was \$4,917,800 in 2004 and \$4,728,504 in 2003. Of this amount, \$3,234,331 and \$3,131,013 of accumulated gains was utilized to meet the spending rate in 2004 and 2003, respectively. In accordance with donors' stipulations, a portion of the earnings was returned to endowment principal and the balance of \$4,651,133 and \$4,423,026 was distributed for expenditure for 2004 and 2003, respectively.

### (3) Accounts Receivable

The accounts, pledges and notes receivable as of June 30, 2004 and 2003, are summarized as follows:

	2004	2003
<b>Accounts Receivable</b>		
Student receivables	\$ 7,948,786	\$ 7,858,300
University Foundation	5,129,935	4,142,643
State capital appropriations	6,251,258	3,936,920
Grants and contracts	2,752,488	3,087,524
Other receivables	2,028,015	1,883,324
Total accounts receivable	\$ 24,110,482	\$ 20,908,711
Less allowance for doubtful accounts	(1,800,000)	(2,000,000)
Net accounts receivable	\$ 22,310,482	\$ 18,908,711
	2004	2003
<b>Pledges Receivable</b>		
Pledges receivable	\$ 2,592,212	\$ 2,224,689
Less allowance for doubtful pledges	(845,162)	(500,020)
Net pledges receivable	\$ 1,747,050	\$ 1,724,669
<b>Notes Receivable</b>		
Federal loan programs	\$ 7,768,241	\$ 7,632,842
University and other loan programs	2,440,644	2,311,046
Total notes receivable	\$ 10,208,885	\$ 9,943,888
Less allowance for doubtful notes	(1,141,000)	(1,141,000)
Net notes receivable	\$ 9,067,885	\$ 8,802,888
<b>Total</b>	\$ 33,125,417	\$ 29,436,268



#### (4) Capital Assets

The capital assets and accumulated depreciation as of June 30, 2004, are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Capital Assets</b>				
Land	\$ 2,296,712	\$ 2,353,464	\$ 0	\$ 4,650,176
Infrastructure	61,040,210	1,402,756	0	62,442,966
Buildings	429,196,038	9,464,824	1,278,400	437,382,462
Land improvements	14,736,327	873,300	0	15,609,627
Machinery and equipment	112,312,699	13,727,612	4,029,233	122,011,078
Library books and publications	51,333,642	1,943,117	0	53,276,759
Vehicles	6,172,826	752,019	237,363	6,687,482
Construction in progress	14,193,407	26,569,163	7,990,582	32,771,988
Works of art & historical treasures	2,491,065	42,475	0	2,533,540
<b>Total capital assets</b>	<b>\$ 693,772,926</b>	<b>\$ 57,128,730</b>	<b>\$ 13,535,578</b>	<b>\$ 737,366,078</b>
<b>Less Accumulated Depreciation</b>				
Infrastructure	18,937,913	2,366,253	0	21,304,166
Buildings	189,990,804	12,468,806	1,278,400	201,181,210
Land improvements	4,921,098	451,475	0	5,372,573
Machinery and equipment	69,467,951	6,874,913	3,238,204	73,104,660
Library books and publications	21,063,788	1,958,561	0	23,022,349
Vehicles	3,962,586	625,884	230,226	4,358,244
<b>Total accumulated depreciation</b>	<b>\$ 308,344,140</b>	<b>\$ 24,745,892</b>	<b>\$ 4,746,830</b>	<b>\$ 328,343,202</b>
<b>Capital assets, net</b>	<b>\$ 385,428,786</b>	<b>\$ 32,382,838</b>	<b>\$ 8,788,748</b>	<b>\$ 409,022,876</b>

### (5) Long-term Liabilities

The long-term liabilities as of June 30, 2004, are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds, Leases, and Notes, Payable</b>					
Bonds payable	\$42,054,884	\$61,400,000	\$14,630,000	\$88,824,884	\$5,950,000
Capital leases payable	3,720,477	42,099	1,243,235	2,519,341	1,140,862
Notes payable	2,219,537	0	49,838	2,169,699	52,617
Premiums, issue costs, loss on refunding	0	2,232,486	75,447	2,157,039	100,596
<b>Total bonds, leases, and notes payable</b>	<b>\$47,994,898</b>	<b>\$63,674,585</b>	<b>\$15,998,520</b>	<b>\$95,670,963</b>	<b>\$7,244,075</b>
<b>Other Liabilities</b>					
Compensated absences	10,754,231	6,190,874	5,710,944	11,234,161	825,574
Federal Perkins loans	6,276,060	287,953	251,640	6,312,373	0
<b>Total other liabilities</b>	<b>\$17,030,291</b>	<b>\$6,478,827</b>	<b>\$5,962,584</b>	<b>\$17,546,534</b>	<b>\$825,574</b>
<b>Total</b>	<b>\$65,025,189</b>	<b>\$70,153,412</b>	<b>\$21,961,104</b>	<b>\$113,217,497</b>	<b>\$8,069,649</b>

Additional information regarding the bonds, notes and capital leases is included in Note 6.

### (6) Indebtedness

On October 1, 2003, the University issued \$61,400,000 in General Receipts Revenue and Refunding Bonds. The proceeds will be used for the following purposes: to refund a portion of the remaining Miami University General Receipts Bonds, Series 1993, to construct, equip and furnish a student housing facility, to construct parking facilities, to purchase and/or construct University utility improvements, to renovate portions of the Shriver Center, to construct improvements to Yager Athletic Complex, for the planning and designing of a new ice arena, psychology building and renovation of Presser Hall and to pay a portion of the costs associated with the issuance.

\$10,507,502 of the proceeds was deposited in an escrow account held by the escrow trustee for the defeasement of the Series 1993 Bonds. The Series 1993 interest term bonds, par value \$10,360,000, were called and refunded as of December 1, 2003. The economic gain (difference between the present value of the old and new debt service payments) to the University was \$1,012,345. As a result of the refunding, \$207,200 has been recorded as deferred loss on refunding and will be amortized from 2004 through 2014. The deferred loss on refunding is the difference between the reacquisition price and the net carrying amount for the refunded portion of the 1993 Series bonds.

The Series 1993 General Receipts Bonds were issued in the amount of \$24,999,884 and the Series 1998 General Receipts Bonds were issued in the amount of \$37,720,000.

The Series 2003 Bonds are the fourth series of the University's General Receipts Bonds to be issued under the 1989 General Bond Resolution and the 1989 Trust Agreement. The Series 2003 Bonds and the previous issues are secured by a pledge of the general receipts of the university. The note payable is collateralized by certain quasi-endowment investments of the university. The university may at its discretion use, or pledge, to the extent lawfully authorized, such other resources as are available for use in the performance of its obligation under the various trust agreements. The maturity dates, interest rates, and outstanding principal balances as of June 30, 2004, are as follows:

<b>Indebtedness</b>	<b>Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Debt</b>
<b>Bonds Payable</b>			
Series 2003 general receipts	2005 - 2023	1.5% - 5.5%	\$ 63,557,039
Series 1998 general receipts	2005 - 2018	3.85% - 4.8%	24,555,000
Series 1993 general receipts	2006 - 2009	5.6% - 5.8%	2,869,884
<b>Note Payable</b>			
U.S. Department of Education	2005 - 2026	5.5%	2,169,699
<b>Total Bonds and Notes Payable</b>			<b>\$ 93,151,622</b>
Less premiums, issue costs, loss on refunding			2,157,039
<b>Total Bonds and Notes Payable, net</b>			<b>\$ 90,994,583</b>

The principal and interest payments for the bonds and notes in future years are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 6,002,617	\$ 3,701,174	\$ 9,703,791
2006	5,730,551	3,541,160	9,271,711
2007	4,435,362	4,266,856	8,702,218
2008	3,880,576	4,200,032	8,080,608
2009	3,935,270	4,156,159	8,091,429
2010 – 2014	25,735,375	14,458,615	40,193,990
2015 – 2019	22,715,986	7,683,443	30,399,429
2020 – 2024	18,238,678	2,427,532	20,666,210
2025 – 2026	320,168	22,310	342,478
<b>Total</b>	<b>\$ 90,994,583</b>	<b>\$ 44,457,281</b>	<b>\$ 135,451,864</b>

The university has approximately \$2,519,341 in capitalized lease obligations that have varying maturity dates through 2012 and carry implicit interest rates ranging from 4.9 percent to 12.8 percent. The scheduled maturities of these leases as of June 30, 2004, are:

<b>Year Ended June 30</b>	<b>Minimum Lease Payments</b>
2005	\$ 1,259,526
2006	740,851
2007	151,564
2008	141,756
2009	141,756
2009 – 2012	425,267
Total minimum lease payments	2,860,720
Less amount representing interest	(341,379)
<b>Net minimum lease payments</b>	<b>\$ 2,519,341</b>

Buildings and computer equipment are financed with capital leases. The carrying amount related to these capital leases as of June 30, 2004 and June 30, 2003 are \$1,348,000 and \$1,284,000 for buildings and \$8,856,000 and \$12,683,000 for equipment.

## **(7) Retirement Plans**

Substantially all non-student employees participate in contributory retirement plans administered by the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System of Ohio (OPERS). Both STRS and OPERS are cost-sharing multiple-employer defined benefit pension plans. Both plans provide retirement, disability, postretirement health care coverage, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute.

STRS and OPERS issue stand-alone financial reports. Copies of these reports may be obtained by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3771 or to OPERS, 277 East Town Street, Columbus, OH 43215-4642.

University faculty participate in STRS. Contribution rates for STRS are established by the State Teachers Retirement Board, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution rates for fiscal year 2003 were 9.3 percent for employees and 14 percent for employers. For the fiscal year ended June 30, 2003, the Retirement Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2002, 4.5% of covered payroll was allocated to the fund (Note 8).

Employees covered by the OPERS system are required by state statute to contribute 8.5 percent of their salary to the plan. During calendar year 2003, the university was required to contribute 13.31 percent of covered payroll; 8.31 percent was used to fund pension obligations and 5 percent funded the retiree health care program (Note 8). Law enforcement employees that are a part of the OPERS law enforcement division contribute 10.1 percent of their salary to the plan. For these employees, the university was required to contribute 16.7 percent of covered payroll; 11.7 percent was used to fund pension obligations and 5 percent funded the retiree health care program (Note 8).

Beginning in 1999, full-time faculty and unclassified employees with less than five years of service credit became eligible to participate in an alternative retirement program. The Ohio Department of Insurance has designated eight companies as eligible to serve as plan providers for the alternative retirement program. The Board of Trustees has established the employer contribution as an amount equal to the amount which the university would have contributed to the respective state retirement system in which the employee would participate, less any amounts required to be remitted to the state retirement systems.

The payroll for employees covered by STRS and OPERS for the year ended June 30, 2004, was \$67,839,000 and \$75,864,000 respectively. The payroll for employees electing the alternative retirement program was \$27,589,000.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The university's contributions each year are equal to its required contributions. University contributions for the current and two preceding years are summarized below.

	Employer Contribution		
	STRS	OPERS	Alternative Programs
2004	\$ 9,497,442	\$ 10,141,318	\$ 3,778,656
2003	9,744,458	9,637,076	2,876,587
2002	9,652,601	9,116,823	2,544,209

#### **(8) Other Postemployment Benefits**

In addition to the pension benefits described in Note 7, STRS and OPERS provide postretirement health care coverage to retirees and their dependents. Health care coverage for disability recipients and primary survivor recipients is also provided. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer contribution (1.0 percent for STRS and 5 percent for OPERS) is allocated to fund the health care benefits.

The STRS health care plan is financed on a pay-as-you-go basis. The net health care costs paid by the plan were \$352 million for the year ended June 30, 2003, the date of its most recent audited financial report. The plan's net assets available to fund future health care benefits totaled \$2.8 billion as of June 30, 2003. At that date there were 108,294 eligible benefit recipients in the STRS plan.

OPERS health care benefits are advanced-funded on an actuarially determined basis. The amount of employer contributions actually made to fund post-employment benefits was \$3.8 million. The actuarial value of the retirement system's net assets available for other post-employment benefits was \$10.0 billion as of December 31, 2002. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively. The number of active contributing participants was 364,881.

#### **(9) Related Organization**

The Miami University Foundation (the foundation) is a separate not-for-profit entity organized for the purpose of promoting educational and research activities of the university. Since these resources held by the foundation can be used only by and for the benefit of the University, the foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The foundation's board of trustees consists of 29 members. Eight of the members (28 percent) are appointed by the university, while the foundation's board of trustees appoints 21 members (72 percent).

Amounts received by the university from the foundation are restricted and are included in gifts in the accompanying financial statements. The foundation values its investments at fair value.

Split-interest agreements held by the foundation are contributions in the form of irrevocable charitable remainder annuity trusts and unitrusts, pooled life income funds, and charitable gift annuities which have been received from donors subject to obligations to pay stipulated amounts periodically to the donors or designated beneficiaries during their lifetimes. Assets held in trust for which the foundation serves as trustee are included in investments, and the present value of the estimated future payments to be made to the donors and/or other beneficiaries is included in liabilities. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, amortization of the discount, and other changes in the estimates of future benefits. Assets held in trust for which the foundation does not serve as trustee are not included in investments; however, the contribution revenue and a pledge receivable for the estimated present value of the expected future cash flows to be received are recorded by the foundation.

Summary financial information for the foundation as of June 30, 2004, the date of its most recent audited financial report, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ 829,255	\$ 44,827,506	\$ 111,982,069	\$ 157,638,830
Change in net assets for the year	27,018	16,857,796	16,210,241	33,095,055
Distributions to Miami University	6,473,786	0	0	6,473,786

Summary financial information for the foundation as of June 30, 2003, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at end of year	\$ 802,237	\$ 27,969,710	\$ 95,771,828	\$ 124,543,775
Change in net assets for the year	25,486	(965,203)	5,866,334	4,926,617
Distributions to Miami University	5,683,671	0	0	5,683,671

(a) Cash and Cash Equivalents -- Cash consists primarily of cash in banks and money market accounts. Cash equivalents are short-term, highly liquid investments readily convertible to cash, with an original maturity of three months or less.

(b) Fair Value of Financial Instruments -- Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between parties. The carrying amounts of cash and cash equivalents, due from Miami University, other receivables, accounts payable and other, due to Miami University, note payable, approximate fair value due to the short maturities of these instruments.

(c) Investment Valuation -- All investments are stated at fair market value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment transactions occurring on or before June 30 which settle after such date are recorded as receivables or payables. Investments in real estate are recorded at appraised value at the date of donation. The issuing insurance companies determine the cash surrender value of the paid-up life insurance policies annually. The foundation's investment portfolio is concentrated in publicly traded securities. As a result, a significant downturn in the securities markets could adversely affect the market value of foundation assets.

(d) Nature of Restricted Net Assets -- All temporarily and permanently restricted net assets have been restricted by independent donors for the financial support of Miami University. The Ohio Uniform Management of Institutional Funds Act specifies that the governing board of an institution may appropriate for expenditure for the uses and purposes for which an endowment fund is established, up to 100% of the net realized and unrealized appreciation in the fair value of the assets of the endowment fund over the historic value of the fund.

In accordance with a prudent investment policy for capital preservation, the foundation has reinvested 50% of net asset appreciation in the permanently restricted endowment funds. The remaining 50% is classified in temporarily restricted funds, as it may be available for current and future use as dictated by donor instruction.



(e) Long-Term Investments

Investments held by the Foundation as of June 30 were:

Investment Description	2004		2003	
	Cost	Fair Value	Cost	Fair Value
Domestic Equities	\$54,825,747	\$61,510,697	\$56,620,684	\$ 56,461,437
International Equities	17,157,812	21,450,363	15,284,704	14,564,517
Fixed Income	17,369,623	18,301,606	15,174,373	16,696,576
Hedge Funds	17,250,000	17,760,720	8,000,000	8,118,290
Limited Partnerships, Private Equity, & Other	18,011,599	16,524,661	18,588,445	14,524,221
Split-Interest Funds	13,295,190	14,429,441	13,706,920	13,637,899
Real Estate and Accumulated Insurance	1,312,030	1,489,186	1,348,228	1,445,822
Subtotal	139,222,001	151,466,674	128,723,354	125,448,762
Less assets held for Miami University Paper Science & Engineering Foundation	(2,200,000)	(2,857,304)	(2,200,000)	(2,489,212)
Total	\$137,022,001	\$148,609,370	\$126,523,354	\$122,959,550

(f) Pledges Receivable - As of June 30, 2004, contributors to the foundation have made unconditional pledges totaling \$22,713,107. Net pledges receivable have been discounted to a net present value of \$19,864,913 which represents fair market value. Discount rates ranged from 1.78% to 5.04% for 2004. Management has set up an allowance for uncollectible pledges of \$2,302,571. All pledges have been classified as temporarily restricted net assets since they will either expire or be fulfilled within a specified time. At June 30, 2004, the foundation had also been notified of revocable pledges, bequests, and other indications of intentions to give. These potential contributions have not been substantiated by unconditional written promises to the foundation. The foundation's policy is not to record these intentions to give as revenues until they are reduced to writing or are collected.

The foundation issues separate financial statements. Copies of these reports may be obtained from Treasury Services, 107 Roudebush Hall, Miami University, Oxford, Ohio, 45056.

### (10) Commitments

At June 30, 2004, the university is committed to future contractual obligations for capital expenditures of approximately \$58 million. These commitments are being funded from the following sources:

	Contractual Obligations
Approved state appropriations not expended	\$ 10,020,000
University funds	47,502,567
<b>Total</b>	<b>\$ 57,522,567</b>

### (11) Risk Management

The university's employee health insurance program is a self-insured plan administered by Anthem Blue Cross/Blue Shield ("Anthem"). The university's risk exposure is limited to 110% of estimated claims in any given year, which reduces its exposure to material financial loss. To further reduce potential loss exposure, the university has also established a reserve for health insurance stabilization of \$1.4 million.

Health insurance claims are accrued based upon estimates of the claims liabilities made by Anthem. These estimates are based on past experience, current claims outstanding, and medical inflation trends. As a result, the actual claims experience may differ from the estimate. An estimate of claims incurred but not reported in the amount of \$1,822,659 and \$3,538,600 is included in the accrued salaries and wages as of June 30, 2004 and 2003, respectively. The change in the total liability for actual and estimated claims is summarized below:

	2004	2003
Liability at beginning of year	\$ 3,923,342	\$ 3,923,902
Claims incurred	21,184,215	17,694,730
Claims paid	(21,424,765)	(18,035,290)
Increase (decrease) in estimated claims incurred but not reported	(1,715,941)	340,000
<b>Liability at end of year</b>	<b>\$ 1,966,851</b>	<b>\$ 3,923,342</b>

The university participates in a consortium with other state-assisted universities for the acquisition of commercial property and casualty insurance. The commercial property loss limit is \$1.0 billion, and the general liability coverage is \$50 million. The property insurance program has been in place for more than nine years and has had no material losses. The casualty program has been in place for five years and has had no material losses. The university also carries commercial insurance for liability and other risks. Over the past three years, settlement amounts related to insured risks have not exceeded the university's coverage amounts.

## **(12) Contingencies**

The university receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the university's administration that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The university is presently involved as a defendant or codefendant in various matters of litigation. The university's administration believes that the ultimate disposition of any of these matters would not have a material adverse effect upon the financial condition of the university.

## **(13) Extraordinary Item - Worker's Compensation**

In fiscal year 2002, the State of Ohio required state universities to record a portion of the state's workers compensation liability in its financial statements. In fiscal year 2003, the State of Ohio reversed this decision and as such the worker's compensation liability and all related expenses have been completely reversed in the accompanying 2003 financial statements.

Under the State of Ohio's Workers' Compensation program, the university is part of a pool of state agencies and state universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. In fiscal year 2002, as part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State of Ohio required each state agency and state university to record a portion of the estimated actuarial liability for worker's compensation in its financial statements. Accordingly, the university's Statement of Net Assets reflected an unfunded workers' compensation liability of \$10,416,788 at June 30, 2002. The university's 2002 Statement of Revenues, Expenses, and Changes in Net Assets included \$3,302,546 in Operating Expenses and a \$7,114,242 decrease in the restated Net Asset Beginning Balance.

In 2003, the Auditor of State and the Office of Budget and Management agreed to re-examine this accounting treatment. Based on their review and consultation with representatives of the state-assisted universities, the agencies determined that the State of Ohio's General Revenue Fund would recognize the entire liability for future workers' compensation claims for the state, including the universities. Accordingly, the university's Statement of Net Assets reflects a reallocation of the \$10,416,788 unfunded workers' compensation liabilities to the State of Ohio, which reduces this liability to \$0 at June 30, 2003. This entire reduction of expense was reported on the university's 2003 Statement of Revenues, Expenses, and Changes in Net Assets as an Extraordinary Item.

The recording and the reversal of the worker's compensation liability had no impact on cash and the overall effect on net assets is zero over the two fiscal years reported in these financial statements.

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**MIAMI UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2004**

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Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through Program Number	Federal Expenditures
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>			
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grant Program	84.007	P007A033315	\$ 942,982
Federal Pell Grant Program 02/03	84.063	P063P020342	5,468
Federal Pell Grant Program 03/04	84.063	P063P030342	<u>7,533,603</u>
Total Federal Pell Grants			<u>7,539,071</u>
Federal Work Study Program 02/03	84.033	P033A023315	825
Federal Work Study Program 03/04	84.033	P033A033315	<u>644,167</u>
Total Federal Work Study			<u>644,992</u>
Total Student Financial Assistance Cluster			<u>9,127,045</u>

(Continued)

**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2004**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
U.S. Department of Agriculture:			
Characterization of Proteins Involved in Chromosome Cohesion in Arabidopsis	10.206	00-35301-9341	\$ 26,455
Effects of Improved Watershed Management on an Agriculturally Impacted Reservoir System: Response to Reduced Nutrient and Sediment Inputs	10.206	2003-35101-13753	<u>40,221</u>
Total U.S. Department of Agriculture—Direct Programs			<u>66,676</u>
Pass-Through Programs From—			
Morehead State University: Monitoring Forest Damage in the Daniel Boone National Forest	10.652	--	<u>4,457</u>
Total U.S. Department of Agriculture			<u>71,133</u>
U.S. Department of Commerce:			
Engineering Summer Undergraduate Research Fellowship	11.609	70NANB4H1029	1,333
NIST: Summer Undergraduate Research Fellowship Program	11.609	70NANB3H1055	<u>2,668</u>
Total U.S. Department of Commerce—Direct Programs			<u>4,001</u>
Pass-Through Programs From:			
Bowling Green State University: Economic and Community Development Policy in Local Governments	11.303	06-66-04858	16,422
Bowling Green State University: Technical Assistance to a University Center	11.303	06-66-04741	13,879
Ohio State University: Effects of Round Goby on Yellow Perch-Amphipod Interactions Within Zebra Mussels Colonies and Macrophyte Beds	11.417	NA86RG0053 (OSU 738940)	9,873
Ohio State University: Habitat Preference and Behavioral Interactions Between Round Goby and Yellow Perch	11.417	NA16RG2252 (OSU - 742671)	856
Ohio State University: Role of Detritivores in PCB Trophodynamics in Western Basin of Lake Erie	11.417	742658	31,609
Ohio State University: Effects of Round Goby on Yellow Perch-Amphipod Interactions Within Zebra Mussel Colonies and Macrophyte Beds	11.417	RF00918966	<u>22,827</u>
Total U.S. Department of Commerce—Pass-Through Programs			<u>95,466</u>
Total U.S. Department of Commerce			<u>99,467</u>
U.S. Air Force:			
Develop Wavelet Optimization Using Genetic Algorithms for Reconfigurable Computing Hardware	12.8	FA8650-04-1-4205	55,833
USAF Developing Signal Processing Algorithms for Weak GPS Signal Acquisition	12.8	F49620-03-1-0225	<u>39,906</u>
Total U.S. Air Force—Direct Programs			<u>95,739</u>
Pass-Through Programs From—			
Wright State University: Applying Evolutionary Computation to the Design of Pattern Recognition Systems	12.XXX	F33615-99-C-1441,PO BG 5078 0	<u>25,683</u>
Total U.S. Air Force			<u>121,422</u>
National Security Agency:			
Summer Undergraduate Mathematical Sciences Research Institute '02	12.901	MDA904-02-1-0008	479
Summer Undergraduate Mathematical Sciences Research Institute '03	12.901	MDA504-03-1-0079	98,146
Summer Undergraduate Mathematical Sciences Research Institute '04	12.901	H98230-04-1-0072	<u>57,733</u>
Total National Security Agency			<u>156,358</u>

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2004

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
U.S. Department of the Interior:			
Operation of the NADP/NTN Precipitation Chemistry Station at Oxford, Ohio	15.808	02HQPR00076	5,338
Molecular Genetics of a Wide-ranging Imperiled Mussel: the Spectaclecase			
Cumberlandia Monodonta	15.XXX	1448-40181-02-G-059	5,837
Private Lands Program Coop Agreement	15.XXX	301812J055	500
Total U.S. Department of the Interior			<u>11,675</u>
U.S. Department of Justice—			
Drug Free Communities/The Coalition for a Healthy Community-Oxford Area	16.729	--	<u>77,433</u>
U.S. Department of Labor—			
Employer Stock in Pension Plans: Determinants and Consequences	17.15	B9323947	<u>1,356</u>
U.S. Department of Transportation:			
Pass-Through Programs From:			
Ohio Department of Public Safety: Traffic Safety Evaluation and Action Planning II	20.6	H45066	258,065
Ohio Department of Public Safety: ODPS Traffic Safety Evaluation and Action Planning	20.601	H35472	<u>108,180</u>
Total U.S. Department of Transportation			<u>366,245</u>
National Aeronautics and Space Administration:			
The Role of the Actin Cytoskeleton in Gravitopic Signal Transduction in Arabidopsis Thaliana	43.001	NGT5-50480	21,995
Pass-Through Programs From:			
JPL: Defect Detection and Prevention for NASA Software	43.XXX	1245473	5,394
OAI: OhioView: Establishing a Public Data Mirror/Remote Sensing Research	43.001	R-300-100275-40005	2,087
OAI: OhioView: Developing a Distributed Data Caching Network Infrastructure			
for Remote Sensing Research	43.001	R-300-100175-40005	41,275
Ames Research Center: Analysis of a Novel Sensory Mechanism in Root Phototropism	43.002	NCC2-1200	<u>201,260</u>
Total National Aeronautics and Space Administration—Pass-Through Programs			<u>250,016</u>
Total National Aeronautics and Space Administration			<u>272,011</u>
National Endowment for Humanities:			
Th Ya'qubi Translation Project	45.161	RZ-50072-03	<u>16,880</u>
Pass-Through Programs From—			
OHC: Walt Whitman's America	45.129	OHC-04-019	<u>13,558</u>
Total National Endowment for Humanities			<u>30,438</u>

(Continued)

**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2004**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
National Science Foundation:			
NER: Nanostructured Multilayers as Sensing Materials for Long Period Gratings	47.041	ECS-0304297	\$ 73,090
Acquisition of a 400 MHz Solid-State NMR Spectrometer	47.049	CHE-0116333	16,197
Banach Space Structures of L p-Spaces and Non-Commutative Hardy Spaces	47.049	DMS-0096696	20,088
Investigations on Normal and Paracompact Spaces	47.049	DMS-9977099	2,677
Measurement of the Vortex Charge	47.049	DMR-0439166	12,701
NUE Development of Vertically Integrated Undergraduate Nanoscience Experiments	47.049	CHE-0303830	30,240
REU: Summer Undergraduate Research in Chemistry at Miami University, Oxford	47.049	CHE-0353179	23,574
Acquisition of a Scanning Electron Microscope for Nanotechnology Investigations	47.05	EAR-0320872	41,000
Acquisition of a Thermal Ionization Mass Spectrometer for Geochemical and Geochronological Applications	47.05	EAR-0116033	5,740
Collaborative Research: Mantle and Fluid Evolution Across the Izu Arc	47.05	OCE-0325111	440
Collaborative Research: Crystal Chemistry of U, Th and other Radionuclides in Apatite: Environmental and Geochemical Implications	47.05	EAR-0409435	104
Collaborative Research: The Palygorskite-Sepiolite to Smectite Transformation and the Influence on Reactive Surface Sites	47.05	EAR-0001251	2,983
Dual-Beam Incoherent Scatter Radar Study of the Mesosphere at Arecibo	47.05	ATM-0337245	15,776
Magma Fractionation Processes and Timescales: Fogo, Furnas and Fuji Volcanoes	47.05	EAR-0207529	42,714
Probing the Structure and Energetic of Reactive Sites at the Mineral-Water Interface: Implications for Element Partitioning and Geochronology.	47.05	EAR-9814691	20,652
The Santa Rosa-Calico Volcanic Field: A Case Study of Magmatic Processes	47.05	EAR-0106144	34,405
Analysis of Chromosome Cohesion in Arabidopsis	47.074	MCB-0322171	84,925
Analysis of Chromosome Condensation and Cohesion in Arabidopsis	47.074	MCB-9982367	17,667
Dissertation Research: Disentangling the Effects of Female Choice, Contest C	47.074	IBN-0206473	2,026
Effects of 17 Year Cicada Emergence on Aquatic Food Webs	47.074	DEB-0420593	5,618
Hyphal Biomechanics in Pathogenic Oomycetes	47.074	IBN-9985546	14,288
Impacts of a Strong Interactor Along a Productivity Gradient: Linking Watersheds with Reservoir Food Webs	47.074	DEB-9726877	50
Insect Cold-Hardiness and Diapause: Regulatory Relationships	47.074	IBN-0090204	130,306
LBTREB: Response of a Reservoir Ecosystem to Declining Nutrient and Detritus Subsidies	47.074	DEB-0235755	72,391
Maternal Investment in Communally Nesting Females	47.074	IBN-0309068	10,508
Omnivorous Fish and the Stability of Aquatic Food Webs	47.074	DEB-9982124	137
Research Experience for UG in Human-Dominated Landscapes	47.074	DBI-0097393	73,753
Shifts in Wolf Spider Reproductive Behavior Under Predation Risk	47.074	IBN-0216947	67,959
Testing the Relative Importance of Habitat Saturation and Benefits of Philopatry	47.074	DEB-0316818	14,063
Theory, Statistics, and Software for the Additive Partitioning of Species Diversity	47.074	DEB-0235369	5,806
An Ethnoecological Study of the Majuna Indians of the Peruvian Amazon	47.075	BCS-0309207	5,097
Tacit Coordination of Collective Action in a Multiple-Task Environment	47.075	BCS-0001910	41,380
Task Frame in Individual and Collective Decision Making	47.075	BCS-0339158	27,096
Collaborative Research: Undergraduate Instruction in Combinatorial Chemistry	47.076	DUE-0127205	34,666
Leadership Alliance in the Biological Sciences: Joining Molecular Biology and Ecology with Research	47.076	ESI-9819374	102,960
Investigating the Economic and Environmental Resilience of Wiliui Sakha Villages	47.078	OPP-0240845	26,895
Microbial Mediation of Trace Metal Cycling in Four Stratified Antarctic Lakes	47.078	OPP-9814837	29,375
Physiological and Molecular Mechanisms of Stress Tolerance in a Polar Insect	47.078	OPP-0337656	3,970
Total National Science Foundation—Direct Programs			<u>1,113,317</u>

(Continued)



**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2004**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
National Science Foundation:			
Pass-Through Programs From:			
Stroud Water Research Center: Dissolved Organic Matter Biogeochemistry:			
Linking Ecosystem Processes	47.074	DEB-9904047	\$ 17,839
Stroud Water Research Center: Application of Scaling Rules to Energy Flow in Stream Ecosystems	47.074	DEB-0109122	4,002
University of Kentucky: Kentucky: Arabidopsis 2010: Functional Genomic Studies			
of mRNA Polyadenylation Related Genes	47.074	UKRE 4-67166-04-232	61,238
Georgia State University: Workshop in Combinatorial Chemistry	47.076	BLF51-14 (GSU) - DUE-0089417	13,628
Total National Science Foundation—Pass-Through Programs			96,707
Total National Science Foundation			1,210,024
U.S. Department of Veterans Affairs—			
Intergovernmental Personnel Agreement	64.016	--	10,192
U.S. Environmental Protection Agency:			
Economics in Ecological Risk Assessment	66.5	CR827003-01-0	30,489
Multi-level Indicators of Ecosystem Integrity in Alpine Lakes of the Sierra Nevada	66.5	R 827643-01-0	848
Total U.S. Environmental Protection Agency—Direct Programs			31,337
Pass-Through Programs From:			
Battelle: Operation of a U.S. EPA National Dioxin Air Monitoring Station at Oxford, Ohio	66.XXX	P.O. 171429	1,158
Shaw Environmental: Research at the EPA Testing and Evaluation Facility	66.XXX	EP-C-04-034	2,065
MACTEC: Operation of the U.S. EPA National Dry Deposition Network Station at			
Miami University	66.XXX	S68D98112-SITEOP-122	5,423
Shaw E & I: U.S. EPA Test and Evaluation Facility Base Operations	66.XXX	P.O. 8137	6,715
Total U.S. Environmental Protection Agency—Pass-Through Programs			15,361
Total U.S. Environmental Protection Agency			46,698
U.S. Department of Energy:			
Construction of Whole Genome Microarrays, and Expression Analysis of Desulfovibrio	81.049	DE-FG02-04-ER63765	6,608
Magnetic Nanoscale Physics	81.049	DE-FG02-86ER45281	50,580
Total U.S. Department of Energy—Direct Programs			57,188
Pass-Through Programs From—			
Oak Ridge National Laboratory: Biochemical and Physiological Studies Dealing With Metal- and			
Sulfate-reducing Microorganisms and Communities	81.049	4000032042	5,298
ADA Technologies: Real Time Monitoring System for Phytoremediation Optimization	81.XXX	03-0862S	31,710
Total U.S. Department of Energy—Pass-Through Programs			37,008
Total U.S. Department of Energy			94,196
U.S. Department of Education:			
Miami University Initiative to Reduce High-Risk Drinking Among First-Year College Students	84.184	Q184H030101	89,856

(Continued)

**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2004**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
U.S. Department of Education:			
Pass-Through Programs From:			
ODE: Mental Health for School Success	84.027	062984-6B-PB-04P	\$ 135,558
Northern Illinois University: Improving the Comprehension and Construction of Arguments	84.305	R305H020039	31,091
Fitton Center: Evaluation of SPECTRA+ Arts in Education Program	84.351	S351D010120	<u>16,427</u>
Total U.S. Department of Education—Pass-Through Programs			<u>183,076</u>
Total U.S. Department of Education			<u>272,932</u>
U.S. Department of Health and Human Services:			
Iron Uptake in Actinobacillus Actinomycetemcomitans	93.121	1 R01 DE13657-01	105,777
The Neural Substrates of Adaptive Jaw Movement	93.121	2 R15 DE12248-02A1	31,468
Border to Border Abstinence Only Education	93.235	--	1,893
A Multicomponent Model of Self-Concept Formation	93.242	7 R01 MH660645-03	24,990
Action Intentions in Nonvisual Spatial Updating	93.242	1 R03 MH069907-01	27,267
Egocentric Reference Frames in Memory	93.242	1 R03 MH068245	8,131
Multiple Selves: Properties, Processes, and Consequences	93.242	1 R01 MH068279-01	97,861
Pruning of Motor Neuronal Arbors	93.242	1 R15 MH67622-01	42,702
Sensorimotor Regulation of Reproductive Behavior	93.242	EIN:1316402089A1	25,077
HEALTHRICH: Health, Risks Information and Choices	93.333	1R25RR16301-01A1	292,164
Ab Initio Studies of Biomolecules	93.39	2R15GM526780-02	4,210
Ab Initio Studies of Complexes of Nucleic Acid Bases	93.39	R15 GM59586-01A1	43,776
Analyses of a Dynein Heavy Chain Mutation in Tetrahymena	93.39	1 R15 GM59855-01	32,855
Analysis of PHD-Domain Proteins Required For Meiosis	93.39	R5GM55956B	62,205
Cortical Mechanisms of Spatial Vision	93.39	1 R15 EY 13953-01	48,455
In Vivo Functions of the Drosophila Fragile X Orthologue	93.39	1 R15 GM068468-01	6,133
Magnetic Resonance Studies of Membrane Proteins	93.39	1 R15 GM60259-01	1,525
Novel Activation Mechanism of Lys2p of Candida Albicans	93.39	1 R15 GM065153-01A1	70,768
Preconcentrators Based on Self-assemble Reagents	93.39	1 R15 GM64390-01	91,119
Ribosome-binding and Translation of Leaderless mRNA	93.39	1 R15GM65120-01	49,848
Synthesis and Conformational Study of Helix/Sheet Mimics	93.39	1R15GM60263-01A1	45,822
Nuclear Organization During Adenovirus Infection	93.393	1R15 CA82111-01	38,032
DHHS REACH Program Data Analysis	93.558	--	6,768
Amphibian Urinary Bladder: Novel Glucose Transport Model	93.847	1 R115 DK54034-01A2	5,729
Endocrine Role of OFQ/N: Studies with Knock-out Mice	93.847	1 R15 DK61956-01	54,562
Mechanisms of Orphanin's Effects on Prolactin Release	93.847	1 R15 DK56139-01A1	53,377
Neurotrophin Regulation of Peripheral Neurons	93.853	R5NS43173A	28,483
Chlamydial Evasion of IFN-Mediated Immunity	93.856	1 R01 AI45836-01A2	112,860
Genetics of H. Aegyptius Brazilian Purpuric Fever Clone	93.856	1 R15 AI44776-01A1	7,105
Characterization of Metallo-B-Lactamases	93.859	GM67928-06	182,643
Comparison of CYP2 Genes Across Mammal Species	93.859	1 R15 GM069387-01	30,914
Natural Antisense and RNP-4F Expression in Drosophila	93.859	1 R15 GM070802-01	11,309
NIA Access to Physical Activity and its Relation to Health	93.866	1 R15 AG020526-01A1	61,887
Molecular Pathway in Retina Regeneration	93.867	R3EY14197A	145,704
Crisis Nursing Resource Information System	93.879	1 G08 LM008307-01	<u>24,032</u>
Total U.S. Department of Health and Human Services—Direct Programs			<u>1,877,451</u>

(Continued)

**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2004**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
U.S. Department of Health and Human Services:			
Pass-Through Programs From:			
AAA: SAFE House Project: Safety Assistance for Families of Elders	93.044	SH-03-001	\$ 14,091
AAA: The SAFE House Project: Safety Assistance for Families of Elders	93.044	--	20,982
COA: Educating, Training, and Supporting Informal Caregivers in Their Homes	93.048	90-CG-2629	31,699
Ohio Department of Aging: An Outcome-Based System for Assessing the Quality of Caregiver Support Services	93.052	P.O. W20562 12192001	178,952
University of Cincinnati: Muscle Lactate Production in Sepsis	93.859	R01 GM54775-04A1	11,703
Southwest Foundation: Genetics of Susceptibility to Helminthic Infection	93.865	R01 AI37091-04A2	114,207
Wright State University: Genetic and Environmental Influences on Childhood Growth	93.865	1 R01HD40377-01A1	33,502
Total U.S. Department of Health and Human Services—Pass-Through Programs			<u>405,136</u>
Total U.S. Department of Health and Human Services			<u>2,282,587</u>
Total Research and Development Cluster			<u>5,124,167</u>
<b>INSTRUCTIONAL</b>			
U.S. Department of Agriculture:			
Invasion of an Exotic Shrub, <i>Lonicera Maackii</i> : Role of Habitat Suitability, Landscape Structure, and Seed Dispersers	10.206	3532012068	<u>49,125</u>
Pass-Through Programs From—			
University of Toledo: Tripsacum Germplasm Development	10.2	00-34391-9827	<u>3,055</u>
Total U.S. Department of Agriculture			<u>52,180</u>
U.S. Department of State—			
Quality Improvement Methods for Business: Instructional Enhancement for Kiev State University of Trade Economics	19.405	ASJL-0333	<u>56,626</u>
National Aeronautics and Space Administration:			
Pass-Through Programs From:			
Ohio Space Grant Consortium: Educational Liaison Staff	43.001	--	4,604
Ohio Space Grant Consortium: The Miami Mission to Mars Project	43.001	--	1,117
Space Telescope Science Institute: The Miami Mission to Mars Project	43.001	HST-ED-90232.01-A	<u>2,544</u>
Total National Aeronautics and Space Administration			<u>8,265</u>
National Endowment for Humanities:			
Diversity, Identity, and Public Culture: Rethinking the American Studies Curriculum	45.162	ED-22355-02	3,655
Taking the Humanities Seriously: Mining for Meaning in Children's Literature	45.163	ES-50018-03	<u>51,225</u>
Total National Endowment for Humanities			<u>54,880</u>

(Continued)

**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**JUNE 30, 2004**

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>INSTRUCTIONAL (Continued)</b>			
Institute of Museum and Library Services—			
The GREEN Teachers' Institute: Museum Resources for Teachers	45.301	ML-02-03-0603-03	\$ 582
National Science Foundation:			
CAREER: Investigating Membrane Proteins with Magnetic Resonance Spectroscopy	47.049	CHE-0133433	66,957
Summer Undergraduate Mathematical Sciences Research Institute 02/03	47.049	DMS-0138477	6,265
Summer Undergraduate Mathematical Sciences Research Institute 04/05	47.049	DMS-0401764	812
Chinese Continental Scientific Drilling Project	47.05	EAR-0201609	2,157
Dissertation Research: Evolution of Ant Mutualisms in Piper: Morphological and +J303			
Molecular Evidence	47.074	DEB0206254	5,962
Increasing the Impact	47.076	DUE 9950011	117,901
Using Chemistry to Enhance the Technical Workforce in the Innovation Age	47.076	DUE-0101400	197,709
Total National Science Foundation—Direct Programs			397,763
Pass-Through Programs From:			
Columbus State Community College: Engineering Technology Pipeline Partnership	47.076	DUE-0101607	37,860
Ohio State University: The Ohio Science and Engineering Alliance	47.076	HRD-0331560	3,353
Total National Science Foundation—Pass-Through Programs			41,213
Total National Science Foundation			438,976
Department of Health and Human Services—			
Pass-Through Programs From—			
Case Western: Geriatric Education Center Site	93.969	CFDA 93.9699 AH 70041-06	9,535
U.S. Department of Energy—			
Pass-Through Programs From—			
Institute of Paper Science and +J411 Technology: Energy Challenge '99	81.087	--	2,658
U.S. Department of Education:			
Ohio Writing Project	84.298	92-OH01	48,321

(Continued)

**MIAMI UNIVERSITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2004**

<b>Federal Grant/Pass-Through Grant/Program Title</b>	<b>CFDA</b>	<b>Pass-Through/ Program Number</b>	<b>Federal Expenditures</b>
<b>INSTRUCTIONAL (Continued)</b>			
U.S. Department of Education:			
Pass-Through Programs From:			
Hamilton City Schools: America's Journey: The Quest for Freedom 1492-1824	84.215	475-02-03	\$ 49,556
Ohio Department of Education: The Ohio Systemic Initiative 02/03 Kahle	84.281	062984-MS-S4-2002	72,399
Ohio Board of Regents: Geometry for Middle Childhood	84.281	--	70
University of Cincinnati: National Program to Train Speech-Language Pathologists in Classroom Performance	84.325	N325N010044	50,185
Ohio Board of Regents: Reform That Works Phase 3	84.336	25-Mar	8,446
Ohio Board of Regents: Reaching Academic Mathematics Proficiency	84.336	26-Mar	19,977
Ohio Board of Regents: Across the Curriculum Environmental Sciences to Attain Ohio Elementary School Academic Content Standards and Achievement Test Outcomes	84.336	24-Mar	7,846
Ohio Board of Regents: Reform That Works Phase III	84.336	27-Feb	148,746
Ohio Board of Regents: Using Native American Stories to Attain Ohio Elementary School Competency	84.336	28-Feb	110,610
Ohio Board of Regents: Advancing Ohio's Physical Science Proficiency II	84.367	--	20,402
Ohio Board of Regents: Advancing Ohio's Physical Science Proficiency	84.367	Feb-30	<u>235,812</u>
Total U.S. Department of Education—Pass-Through Programs			<u>724,049</u>
Total U.S. Department of Education			<u>772,370</u>
Total Instructional			<u>1,396,072</u>
<b>PUBLIC SERVICE</b>			
National Endowment for Humanities—			
Pass-Through Programs From—			
OHC: Ohio Bicentennial Minutes	45.129	OHC-03-013	<u>7,045</u>
U.S. Department of Education—			
Developing Faculty Learning Communities to Transform Campus Culture for Learning	84.116	P116B010714	<u>93,087</u>

(Continued)

# MIAMI UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2004

Federal Grant/Pass-Through Grant/Program Title	CFDA	Pass-Through/ Program Number	Federal Expenditures
<b>PUBLIC SERVICE (Continued)</b>			
Department of Health and Human Services:			
Pass-Through Programs From:			
Ohio Department of Health: Tobacco Prevention	93.283	09-4-001-2-CJ-02	\$ 5,503
BCADASB: Miami University High Risk Drinking Prevention	93.959	09-08040-00-HEDUC-P-03-9726	1,011
Ohio Department of Alcohol/Drug-Butler County Alcohol/Drug: Oxford Drug Free Community Coalition	93.959	COME-ADA-WP03K2	33,329
Ohio Department of Alcohol/Drug-Butler County: Miami University High Risk Drinking Prevention Initiative	93.959	--	<u>24,601</u>
Total Department of Health and Human Services			<u>64,444</u>
Total Public Service			<u>164,576</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 15,811,860</u>

(Concluded)

# MIAMI UNIVERSITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2004

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### 1. BASIS OF ACCOUNTING

The supplementary schedule of expenditures of federal (and state) awards is prepared on the accrual basis of accounting. Amounts presented are total federal expenditures for each program. Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers are available.

The dollar threshold used to distinguish between Type A and Type B Programs was \$474,356.

### 2. PASS-THROUGH AWARDS

Miami University (the "University") receives certain federal awards from pass-through awards from the State of Ohio. The amounts received are commingled by the State with other funds and cannot be separately identified. The total amount of such pass-through awards is included on the supplementary schedule of expenditures of federal awards.

### 3. FEDERAL PERKINS LOAN PROGRAM

Outstanding loans at June 30, 2004, under the Federal Perkins Loan Program were \$7,730,750. New Federal Perkins Loans of \$1,603,157 were advanced to students in 2004. The University received a federal capital contribution of \$29,949 and made a matching contribution of \$9,983 to the Federal Perkins Loan fund in 2004. Administrative and collection costs for the Federal Perkins Loan Program were \$1,885,807 in 2004.

### 4. FEDERAL DIRECT STUDENT LOANS

While no amounts are listed in the schedule of expenditures of federal awards, the University also participates in the Federal Direct Student Loan Program, which includes subsidized and unsubsidized Federal Stafford Loans ("Stafford") and Federal PLUS Loans ("PLUS"). The dollar amounts are not listed in the schedule of expenditures of federal awards as the University is not the recipient of the funds. However, such programs are considered a component of student financial assistance at the University. New loans processed for students during the year ended June 30, 2004, were as follows:

#### Federal Direct Student Loan Program:

##### Stafford:

##### Subsidized

\$ 22,243,615

##### Unsubsidized

17,004,918

##### PLUS

12,158,316

\* \* \* \* \*

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

President and Board of Trustees of Miami University  
and Betty Montgomery, Auditor of State of Ohio

We have audited the financial statements of Miami University (the "University") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 7, 2004, which includes an explanatory paragraph related to the adoption of Governmental Accounting Standards Board Statement No. 39. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the University in a separate letter dated October 7, 2004.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the University, in a separate letter dated October 7, 2004.

This report is intended solely for the information and use of the Board of Trustees and management of the University, the U.S. Department of Education, other applicable U.S. Government Agencies, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

October 7, 2004



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

President and Board of Trustees of Miami University  
and Betty Montgomery, Auditor of State of Ohio

### Compliance

We have audited the compliance of Miami University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The University's major federal program is identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the University's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, and management of the University, the U.S. Department of Education, other applicable U.S. Government Agencies, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

October 7, 2004

# MIAMI UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2004

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### Part I—Summary of Auditors' Results

#### *Financial Statements*

Type of auditors' report issued	Unqualified	
Internal control over financial reporting: Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition(s) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

#### *Federal Awards*

Internal control over major programs: Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable condition(s) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> N/A
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

#### Identification of major programs:

CFDA Number	Name of Federal Program or Cluster Number
Various	Student Financial Assistance
Dollar threshold used to distinguish between Type A and Type B programs	\$474,356
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

# MIAMI UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2004 (Concluded)

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### **Part II—Financial Statements Findings**

Findings relating to the financial statements, which are required to be reported in accordance with *Government Auditing Standards*:

No matters are reportable.

### **Part III—Federal Award Findings and Questioned Costs**

No matters are reportable.

# MIAMI UNIVERSITY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2004

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### **03-01: Return of Title IV Funds**

**Federal Program:** Student Financial Assistance Cluster ("SFA").

**Condition:** Within our sample procedures for compliance with return of title IV funds, 4 out of the 25 student files selected were not in compliance. The University failed to request or inaccurately calculated the amount requested of Title IV funds from the student for return to the lending institution, as required.

**Management Corrective Action Plan:** Effective July 14, 2003, the responsibility for calculating the return of federal funds for students who withdraw from the University was consolidated in the Oxford Office of Student Financial Assistance. These calculations and ensuing disbursements had been handled in the distributed manner, with each campus' financial aid office responsible for the students on that campus. With this change, responsibility for all Return of Title IV calculations lies with the Assistant Director of Student Financial Assistance, who is a direct report to the Director on the Oxford campus. No errors were found on the 21 refund calculations for which she was responsible. The new arrangement will have the accountability necessary for this task, given that the regional campus financial aid offices do not report to the Director on the Oxford campus.

**Current Year Status:** The management corrective action plan has been implemented. The University has placed responsibility for all Return of Title IV calculations with an Assistant Director of Student Financial Assistance who reports directly to the Student Financial Aid Director.



***WMUB Radio***  
***(A Noncommercial Public***  
***Radio Station Owned and***  
***Operated by Miami University)***

*Financial Statements for the Years*  
*Ended June 30, 2004 and 2003 and*  
*Independent Auditors' Report*

# **WMUB RADIO**

**(A Noncommercial Public Radio Station Owned and Operated by Miami University)**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Miami University

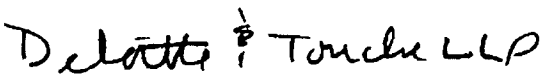
We have audited the accompanying statements of net assets of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") as of June 30, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the management of the Station. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Station as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-6 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the Station's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 1, 2004, on our consideration of the Station's internal control over financial reporting and its tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

December 1, 2004

# WMUB RADIO

## Management's Discussion and Analysis

### Introduction

The following discussion and analysis provides an overview of the financial position and activities of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") for the years ended June 30, 2004 and 2003. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared and are the responsibility of Station management.

### Using the Financial Statements

The Station's annual report contains three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37 and 38.

The financial statements of the Station have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recorded when the related liability has been incurred. For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 34 and 35. These statements establish standards for external financial reporting and provide a consolidated perspective of the station's assets, liabilities, net assets, revenues, expenditures and cash flows.

### Financial Highlights

Overall, the Station's financial position remained strong at June 30, 2004, with total assets of \$736,759. Revenue from the state of Ohio through the Ohio Educational Telecommunications Network Commission grants declined because of budget shortfalls at the state level, but local fundraising was up in overall membership dollars. Revenue from the Corporation for Public Broadcasting ("CPB") increased. A one-time grant from the Ohio Humanities Council enabled statewide production and distribution of *Ohio Bicentennial Minutes*.

### Statement of Net Assets

The Statement of Net Assets presents the assets and net assets of the Station as of the end of the fiscal year. Net assets is one indicator of the overall strength of the Station. Also, the overall increase or decrease in total net assets indicates whether the financial strength of the Station is improving or declining. Miami University maintains cash accounts that support the operations of the Station. All of the Station's receipts and disbursements are reflected in these accounts, as the Station does not maintain its own separate account. As a result, the Station has net accounts receivable or payable from Miami University. Net accounts receivable are measured at a point in time using current values. Capital assets are recorded at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, reports the Station's net equity in property and equipment. The second major category, restricted net assets, reports net assets that are owned by the Station, but the use or purpose of the funds is restricted by an external source or entity. The Station does not have any restricted net assets. The third category is unrestricted net assets.

<b>Assets</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Current assets	\$ 423,088	\$ 282,271	\$ 212,404
Capital assets, net	<u>313,671</u>	<u>306,907</u>	<u>320,444</u>
<b>Total assets</b>	<b><u>\$ 736,759</u></b>	<b><u>\$ 589,178</u></b>	<b><u>\$ 532,848</u></b>
<b>Net Assets</b>			
Invested in capital assets	\$ 313,671	\$ 306,907	\$ 320,444
Unrestricted net assets	<u>423,088</u>	<u>282,271</u>	<u>212,404</u>
<b>Total net assets</b>	<b><u>\$ 736,759</u></b>	<b><u>\$ 589,178</u></b>	<b><u>\$ 532,848</u></b>

## Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the Station's results of operations for the fiscal year. The revenues and expenses are generally reported as either operating or non-operating. Operating revenue is generated by an annual Community Service Grant from the Corporation for Public Broadcasting and the state of Ohio, administered through an annual grant from the Ohio Educational Telecommunications Network Commission. Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Station. Non-operating revenues are received without an exchange for goods and services. Non-operating revenues include an appropriation, donated facilities, and administrative support from its licensee, Miami University, membership revenue, and contributions from area businesses (program underwriting).

	2004	2003	2002
Operating revenues:			
Corporation for Public Broadcasting Grant	\$ 158,611	\$ 154,968	\$ 139,682
Ohio Humanities Grant	7,045	5,460	
In-kind contributions—Ohio Educational Telecommunications	106,478	91,795	131,169
Ohio Educational Telecommunications Grant	<u>36,948</u>	<u>40,513</u>	<u>47,668</u>
Total operating revenue	<u>309,082</u>	<u>292,736</u>	<u>318,519</u>
Operating expenses:			
Program services:			
Programming and production	689,115	629,798	647,482
Broadcasting	80,891	122,160	103,297
Program information	<u>40,597</u>	<u>42,823</u>	<u>52,704</u>
Total program services	<u>810,603</u>	<u>794,781</u>	<u>803,483</u>
Support services:			
Administrative	306,910	304,876	280,855
Management and general	239,545	238,711	221,586
Fund raising	60,236	66,252	53,443
Underwriting	16,732	19,015	17,665
Depreciation	<u>30,187</u>	<u>32,133</u>	<u>32,808</u>
Total support services	<u>653,610</u>	<u>660,987</u>	<u>606,357</u>
Total operating expenses	<u>1,464,213</u>	<u>1,455,768</u>	<u>1,409,840</u>
Net operating loss	<u>(1,155,131)</u>	<u>(1,163,032)</u>	<u>(1,091,321)</u>

	2004	2003	2002
Non-operating revenues:			
Appropriation from Miami University	\$ 667,857	\$ 652,938	\$ 589,221
Donated facilities and administrative support	306,910	304,876	280,855
Membership revenue	228,544	195,446	180,265
Business and underwriting support	66,908	57,147	61,072
Net revenue from special fund raising activity	-	-	12,880
Foundations and non-profits	8,333	7,277	11,085
Other	<u>1,006</u>	<u>919</u>	<u>60</u>
Total non-operating revenues	1,279,558	1,218,603	1,135,438
Income before other revenues	124,427	55,571	44,117
Other revenues--OET Capital Grant	<u>23,154</u>	<u>759</u>	<u>6,053</u>
Increase in net assets	147,581	56,330	50,170
Net assets at beginning of year	<u>589,178</u>	<u>532,848</u>	<u>482,678</u>
Net assets at end of year	<u>\$ 736,759</u>	<u>\$ 589,178</u>	<u>\$ 532,848</u>

### Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the major sources and uses of cash by the Station for the fiscal year. The cash flow analysis is divided into three major areas: Cash Flows from Operating Activities, Cash Flows from Noncapital Financing Activities, and Cash Flows from Capital and Related Financing Activities.

	2004	2003	2002
Net cash used by operating activities	\$ (818,034)	\$ (826,023)	\$ (777,658)
Net cash provided by noncapital activities	972,648	913,727	854,583
Net cash used for capital and related financing	<u>(13,797)</u>	<u>(17,837)</u>	<u>(5,519)</u>
Net increase in cash equivalents	140,817	69,867	71,406
Cash equivalents at beginning of year	<u>282,271</u>	<u>212,404</u>	<u>140,998</u>
Cash equivalents at end of year	<u>\$ 423,088</u>	<u>\$ 282,271</u>	<u>\$ 212,404</u>

## **Economic Factors That Will Affect the Future**

Station management believes that the Station is positioned to continue its strong financial condition and level of service to listeners and Miami University. Programming improvements are continuing to result in higher audiences listening levels, especially for core audience, which in turn lead to increases in membership and underwriting revenue. As in fiscal year 2003, while there has been some loss in State of Ohio support due to cutbacks in the appropriation for the Ohio Educational Telecommunications Network Commission grants, local fundraising through membership campaigns has so far more than made up for those losses.

During the fourth quarter of fiscal year 2004, the Station exceeded \$100,000 in pledges for the second time ever. Prospects are good for record levels to continue in the near term. Stability in personnel in the underwriting area should contribute to further increases.

Two of the Station's biggest concerns on the revenue side are the continual declines in funding from the State of Ohio grant (OETNC) and from the Corporation for Public Broadcasting appropriation in Congress (which remains at risk even though the Station's CPB grant increased from fiscal 2003 to fiscal 2004). The financial condition and economic outlook of Ohio makes the level of state support uncertain, especially concerning capital projects. In October 2002 the Federal Communications Commission approved standards for digital terrestrial radio broadcasting. Stations will be required to generate additional support to pay for digital conversion. While the State of Ohio is on record as supporting partial funding of these costs from the state, appropriations for radio have not yet been made.

Overall the Station's financial position is strong. Over the next fiscal year and beyond, the Station will maintain a close watch over internal and external resources in order to maintain or improve its current economic condition.

Tolliver C. Callison, III  
General Manager, WMUB Radio

## **WMUB RADIO**

**(A Noncommercial Public Radio Station Owned and Operated by Miami University)**

### **STATEMENTS OF NET ASSETS**

**JUNE 30, 2004 AND 2003**

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<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
CURRENT ASSETS—		
Net accounts receivable from Miami University	\$ 423,088	\$ 282,271
NONCURRENT ASSETS—		
Capital assets—net	<u>313,671</u>	<u>306,907</u>
TOTAL	<u>\$ 736,759</u>	<u>\$ 589,178</u>
 <b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS	\$ 313,671	\$ 306,907
UNRESTRICTED NET ASSETS	<u>423,088</u>	<u>282,271</u>
TOTAL	<u>\$ 736,759</u>	<u>\$ 589,178</u>

See notes to financial statements.

**WMUB RADIO****(A Noncommercial Public Radio Station Owned and Operated by Miami University)****STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
OPERATING REVENUES:		
Corporation for Public Broadcasting Grant	\$ 158,611	\$ 154,968
Ohio Humanities Grant	7,045	5,460
In-kind contributions—Ohio Educational Telecommunications	106,478	91,795
Ohio Educational Telecommunications ("OET") Grant	36,948	40,513
Total operating revenues	309,082	292,736
OPERATING EXPENSES:		
Program services:		
Programming and production	689,115	629,798
Broadcasting	80,891	122,160
Program information	40,597	42,823
Total program services	810,603	794,781
Supporting services:		
Administrative support	306,910	304,876
Management and general	239,545	238,711
Fund raising	60,236	66,252
Underwriting	16,732	19,015
Depreciation	30,187	32,133
Total supporting services	653,610	660,987
Total operating expenses	1,464,213	1,455,768
NET OPERATING LOSS	(1,155,131)	(1,163,032)
NONOPERATING REVENUES:		
Appropriation from Miami University	667,857	652,938
Donated facilities and administrative support	306,910	304,876
Membership revenue	228,544	195,446
Business and underwriting support	66,908	57,147
Foundations and non-profits	8,333	7,277
Other	1,006	919
Total nonoperating revenues	1,279,558	1,218,603
INCOME BEFORE OTHER REVENUES	124,427	55,571
OTHER REVENUES—OET Capital Grant	23,154	759
INCREASE IN NET ASSETS	147,581	56,330
NET ASSETS—Beginning of year	589,178	532,848
NET ASSETS—End of year	\$ 736,759	\$ 589,178

See notes to financial statements.



## WMUB RADIO

(A Noncommercial Public Station Owned and Operated by Miami University)

### STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Corporation for Public Broadcasting Grant	\$ 158,611	\$ 154,968
Receipts from Ohio Educational Telecommunications Grant	36,948	40,513
Receipts from Ohio Humanities Grant	7,045	5,460
Payments for programming and production	(582,637)	(538,003)
Payments for broadcasting	(80,891)	(122,160)
Payments for program information	(40,597)	(42,823)
Payments for management and general	(239,545)	(238,711)
Payments for fund raising	(60,236)	(66,252)
Payments for underwriting	(16,732)	(19,015)
Net cash used by operating activities	<u>(818,034)</u>	<u>(826,023)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Appropriation from Miami University	667,857	652,938
Membership revenue	228,544	195,446
Business and underwriting support	66,908	57,147
Foundations and nonprofits	8,333	7,277
Other noncapital receipts	<u>1,006</u>	<u>919</u>
Net cash provided by noncapital financing activities	<u>972,648</u>	<u>913,727</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Grants for capital purposes	23,154	759
Payments to purchase capital assets	<u>(36,951)</u>	<u>(18,596)</u>
Net cash used by capital and related financing activities	<u>(13,797)</u>	<u>(17,837)</u>
NET INCREASE IN CASH EQUIVALENTS	140,817	69,867
CASH EQUIVALENTS:		
Beginning of year	<u>282,271</u>	<u>212,404</u>
End of year	<u>\$ 423,088</u>	<u>\$ 282,271</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES YEARS ENDED JUNE 30, 2004 AND 2003:		
Net operating loss per statements of revenues, expenses and changes in net assets	\$ (1,155,131)	\$ (1,163,032)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	30,187	32,133
Donated facilities and administrative support	<u>306,910</u>	<u>304,876</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (818,034)</u>	<u>\$ (826,023)</u>

See notes to financial statements.

## WMUB RADIO

(A Noncommercial Public Radio Station Owned and Operated by Miami University)

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2004 AND 2003

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—WMUB Radio (the “Station”) is owned and operated by Miami University (the “University”), a governmental institution of higher education. The license for the Station is issued by the Federal Communications Commission to the President and Board of Trustees of the University. The Station is administered as a division of University Communications.

**Basis for Presentation**—Effective July 1, 2001, the Station adopted Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. These statements establish standards for external financial reporting and provide a comprehensive perspective of the Station’s assets, net assets, revenues, expenditures and cash flows. For financial reporting purposes, the Station is considered a special-purpose government engaged in business-type activities as defined by GASB Statements No. 34 and 35.

The financial statements of the Station have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when the related liability has been incurred.

**Net Accounts Receivable from Miami University**—Miami University maintains cash accounts that support the operations of the Station. All of the Station’s receipts and disbursements are reflected in these accounts, as the Station does not maintain its own separate account. As a result, the Station has net accounts receivable or payable from Miami University. For the purposes of the Statements of Cash Flows, the net accounts receivable from Miami University is considered a cash equivalent.

**Capital Assets**—Buildings, equipment and furniture and fixtures are recorded at cost at date of acquisition or market value at date of donation in the case of gifts. The Station uses a capitalization threshold of \$1,200. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 50 years for buildings and 5 to 7 years for equipment.

**Net Assets**—The first category, net invested in capital assets, net of related debt, reports the Station’s net equity in property, plant and equipment. The second major category is restricted net assets. This category contains net assets that are owned by the institution, but the use or purpose of the funds is restricted by an external source or entity. The Station does not have any restricted net assets. The third category is unrestricted net assets, which are available to be used for any lawful purpose of the Station.

**Revenue Recognition**—Grants or contributions that reimburse the Station for expenses incurred are deemed to be earned and are reported as revenue when the Station has incurred expenses in compliance with the specific restrictions of the grant. Certain unrestricted contributions and grants, such as the Corporation for Public Broadcasting Grant and the Ohio Educational Telecommunications Grant, are recorded as revenue when received.

**Donated Facilities and Administrative Support**—Donated facilities from the University consist of office and studio space, use of the broadcast tower and occupancy costs, and are recorded as revenues and expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Assets in accordance with allocation guidelines provided by the Corporation for Public Broadcasting (“CPB”).

Donated facilities support is determined by an assessment of the square footage assigned to the Station and the cost per square foot of providing various types of physical plant support. Administrative support from the University consists of allocated services and certain other expenses incurred by the University on behalf of the Station and an allocation of the University’s total institutional support.

**In-kind Support**—In-kind support provided by the Ohio Educational Telecommunications Network Commission is recorded based on a statement provided by the agency. Expense is allocated based on the determination of the nature of the in-kind support provided.

**Use of Estimates**—Management has made estimates in preparing the financial statements based on currently available information that affects certain of the amounts reflected in the financial statements. Actual results could differ from these estimates.

## 2. CAPITAL ASSETS

The capital assets and accumulated depreciation as of June 30, 2004 and 2003 are summarized as follows:

	2004			
	07/01/03 Beginning Balance	Additions	Retirements	06/30/04 Ending Balance
Capital assets:				
Building, antenna and tower	\$ 330,386	\$ -	\$ -	\$ 330,386
Studio and broadcast equipment	<u>574,824</u>	<u>36,951</u>		<u>611,775</u>
	905,210	36,951		942,161
Less accumulated depreciation	<u>598,303</u>	<u>30,187</u>		<u>628,490</u>
Capital assets—net	<u>\$ 306,907</u>	<u>\$ 6,764</u>	<u>\$ -</u>	<u>\$ 313,671</u>

	2003			
	07/01/02 Beginning Balance	Additions	Retirements	06/30/03 Ending Balance
Capital assets:				
Building, antenna and tower	\$ 330,386	\$ -	\$ -	\$ 330,386
Studio and broadcast equipment	<u>560,042</u>	<u>18,596</u>	<u>(3,814)</u>	<u>574,824</u>
	890,428	18,596	(3,814)	905,210
Less accumulated depreciation	<u>569,984</u>	<u>32,133</u>	<u>(3,814)</u>	<u>598,303</u>
Capital assets—net	<u>\$ 320,444</u>	<u>\$ (13,537)</u>	<u>\$ -</u>	<u>\$ 306,907</u>

### 3. INCOME TAXES

The University is exempt from Federal income taxes under Section 115 of the Internal Revenue Code ("IRC"). As such, the University is subject to Federal income taxes only on net unrelated business income, if any, under the provisions of Section 511 of the IRC.

\* \* \* \* \*

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Miami University

We have audited the financial statements of WMUB Radio, a noncommercial public radio station owned and operated by Miami University, (the "Station") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 7, 2004, which contains an explanatory paragraph related to the adoption of Governmental Accounting Standards Board No. 39. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Station's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Station's internal control over financial reporting and its operation that we consider to be material weaknesses.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Trustees and management of Miami University, the Auditor of the State of Ohio, and the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

December 1, 2004

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# ***Miami University***

*Independent Accountants' Report on the  
Application of Agreed-Upon Procedures to the  
University's Accounting Records and System of  
Internal Accounting Control as they Relate to the  
University's Intercollegiate Athletics Programs for  
the Year Ended June 30, 2004*

## INDEPENDENT AUDITORS' REPORT

Dr. James C. Garland, President  
Miami University  
Oxford, Ohio

We have audited the financial statements of Miami University (the "University") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 7, 2004, which includes an explanatory paragraph relating to the adoption of Governmental Accounting Standards Board Statement No. 39. We have also applied certain procedures requested by you, as discussed below, to the University's accounting records and system of internal accounting control as they relate to the University's Intercollegiate Athletics Programs for the year ended June 30, 2004, solely to assist the University in complying with NCAA Bylaw 6.2.3.1 for the year ended June 30, 2004. The University's management is responsible for compliance with those requirements. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

### Revenues and Expenditures

- a. We obtained the Intercollegiate Athletics Statement of Revenues and Expenditures for the year ended June 30, 2004, as prepared by management and presented as the Exhibit to this report. We agreed the amounts included therein to the general ledger and made analytical comparisons to the 2003 amounts. The Intercollegiate Athletics Department provided explanations for the fluctuations.
- b. We read documentation related to, and discussed with University personnel, the University's methodology for allocating student fees to intercollegiate athletics, and we ascertained that the amounts recorded for this source of athletics program funding appeared to be recorded using such methodology.
- c. We obtained signed contracts and other supporting documentation for revenues and expenditures resulting from guarantee agreements, and agreed recorded amounts to appropriate supporting detail on a test basis, and no exceptions were noted.
- d. We read documentation related to, and discussed with University personnel, the University's methodology for recognizing gift revenue in the attached Intercollegiate Athletics Department Statement of Revenues and Expenditures. Revenue is recognized as expenses are incurred and reimbursement is requested, rather than when gifts are received.



- e. We ascertained through the listing of all contributions made during the year ended June 30, 2004, that no individual contribution received by the Intercollegiate Athletics Office for intercollegiate athletics constituted more than 10% of all contributions received for intercollegiate athletics.

Because the above procedures “a” through “e” do not constitute an audit made in accordance with auditing standards generally accepted in the United States of America, we do not express an opinion on any of the accounts or items referred to above. Had we performed additional procedures or had we performed an audit of the financial statements of the Intercollegiate Athletics Department of Miami University in accordance with auditing standards generally accepted in the United States of America, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above, and does not extend to any financial statements of Miami University or its Intercollegiate Athletics Department taken as a whole.

### **Internal Accounting Control Related to Intercollegiate Athletics**

The management of Miami University is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal accounting control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Our procedures and findings are as follows:

- f. We read documentation related to and discussed with University personnel the general control environment as it relates to the athletics department, considering the following: (1) departmental organization, (2) control consciousness of department employees, (3) competency of personnel, (4) safeguarding and control of department records and assets, and (5) controls over interactions with data processing.
- g. We traced fifteen random selections of ticket sales cash receipts to the deposit slips, reconciliations of the cash drawer, and the statistics sheets that detail attendance for each game, and noted no exceptions.
- h. We obtained support for fifteen travel related expenditures and ten non-travel-related expenditures made by the intercollegiate athletics department, and noted no exceptions.

Agreed-upon procedures “f” through “h” applied to certain aspects of the University’s system of internal accounting control were more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. Because the scope of our work was limited to applying agreed-upon procedures “f” through “h” to certain aspects of the system of internal accounting control, we are unable to express, and we do not express, an opinion on whether the system of internal accounting control of Miami University in effect as of and for the year ended June 30, 2004, taken as a whole, was sufficient to meet the objectives stated above.

\* \* \* \* \*

This report is intended solely for the information and use of the Finance Committee, University management and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

October 7, 2004

# MIAMI UNIVERSITY

## INTERCOLLEGIATE ATHLETICS DEPARTMENT STATEMENT OF REVENUES AND EXPENDITURES YEAR ENDED JUNE 30, 2004

	Football Total	Men's Basketball Total	Women's Basketball Total	Men's Other Sports Total	Women's Other Sports Total	Non-Program Specific Total	Total	
							2004	2003
Revenues:								
Student activity fees	\$2,426,798	\$570,150	\$749,409	\$1,647,789	\$3,044,476	\$ 945,898	\$ 9,384,520	\$ 8,664,680
Ticket sales	869,571	212,920	6,576	134,934	-	14	1,224,015	915,017
Guarantees	525,000	70,000	8,000	8,635	-	-	611,635	905,520
Program advertising	-	-	-	-	-	-	-	-
Programs and Merchandise	-	-	-	-	-	2,112	2,112	1,698
Advertising, promotions and special events	-	-	9,176	-	5,810	723,262	738,248	156,688
Vending proceeds	-	-	-	-	-	51,065	51,065	36,292
Seminars and workshops	1,004	1,943	262	5,506	7,047	35,038	50,800	55,730
Federal grant—work study	99	-	48	-	149	2,631	2,927	4,859
Other	16,935	3,223	4,070	20,112	110,061	230,830	385,231	294,769
Temporary investment income	-	-	-	-	-	100,000	100,000	100,000
Endowment income	-	-	-	-	-	66,425	66,425	74,460
Gifts	59,256	20,170	8,021	252,080	27,760	348,942	716,229	717,470
Tournaments	-	-	-	8,650	-	1,246,358	1,255,008	672,128
Total revenues	3,898,663	878,406	785,562	2,077,706	3,195,303	3,752,575	14,588,215	12,599,311
Expenditures:								
Financial aid	1,312,607	215,679	200,205	604,576	1,082,204	89,383	3,504,654	3,160,840
Coaches salaries	151,935	123,959	95,683	273,767	422,164	0	1,067,508	974,901
Other salaries and wages	620,375	131,888	136,218	203,950	283,525	1,646,251	3,022,207	2,582,041
Staff benefits	258,387	80,061	71,862	148,963	206,294	503,942	1,269,509	1,068,356
Team travel	624,703	76,838	95,389	344,658	486,340	17,198	1,645,126	1,039,573
Travel	60,773	11,567	5,872	11,093	21,251	101,023	211,579	140,670
Recruiting	99,957	57,316	30,884	68,220	109,962	42,251	408,590	401,657
Equipment and Supplies	308,823	45,752	56,491	160,245	243,675	301,939	1,116,925	881,511
Maintenance and general administration	95,573	24,160	6,419	60,077	78,700	214,328	479,257	311,389
Game expenses	52,221	38,167	35,275	31,607	110,891	7,903	276,064	215,381
Telephone	22,033	8,216	9,883	12,460	16,503	56,501	125,596	148,710
Postage	19,298	7,311	10,916	6,422	14,696	26,714	85,357	80,426
Guarantees	40,000	14,500	1,600	7,000	563	-	63,663	257,000
Textbooks	35,827	5,925	7,430	27,920	47,561	-	124,663	121,942
Printing and advertising	14,380	2,230	3,030	7,078	8,903	87,437	123,058	89,723
Hospitality	43,021	26,814	7,564	23,907	14,441	74,934	190,681	138,264
Services	61,707	5,398	15,243	84,059	28,765	300,200	495,372	294,451
Other	80,045	2,821	1,945	46,782	23,005	524,161	678,759	537,325
Total expenditures	3,901,665	878,602	791,909	2,122,784	3,199,443	3,994,165	14,888,568	12,444,160
Excess (deficit) of revenues over expenditures	\$ (3,002)	\$ (196)	\$ (6,347)	\$ (45,078)	\$ (4,140)	\$ (241,590)	\$ (300,353)	\$ 155,151





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**MIAMI UNIVERSITY**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**

**MARCH 15, 2005**